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ABSTRACT

This report summarizes the presentations and discussions at a conference on contingent labor sponsored by the U.S. Department of Labor. The first two sections are introductory: (1) "Introduction to the Role of Contingent Labor" (Kathleen Christensen, Mary Murphree); and (2) "Between Now and the Year 2000: A Glimpse of the Workplace" (Jill Houghton Emery). These sections are followed by five sections that cover the following topics: (1) The Big Picture of Contingent Workers--"Understanding the Data on Part-Time and Temporary Employment" (Thomas J. Plewes); and "Historical Perspectives on Part-Time and Temporary Workers" (Joyce L. Kornbluh); (2) Forces Driving Contingent Work--"International Competition: Its Impact on Employment" (Roberta V. McKay); "Office Automation Technology and Contingent Work Modes" (Vary T. Coates); and "Production Organization and Worktime: The Emergence of a Contingent Labor Market" (Susan Christopherson); (3) Variants of Contingent Work--"Part-Time Employment: Crosscurrents of Change" (Helen Axel); "The Temporary Help Industry: Filling the Needs of Workers and Business" (Sharon Canter); "Temporary Help Is Becoming a Permanent Solution" (Anne H. Nelson); "Independent Contracting" (Kathleen Christensen); and "Employee Leasing" (Jeff S. Day); (4) Some Implications and Consequences of Contingent Work--"Shifts in Labor Market Structure and Patterns of Occupational Training" (Marcia Freedman); "Union Responses to Contingent Work: Are Win-Win Outcomes Possible?" (Eileen Appelbaum, Judith Gregory); and "Women's Labor Force Attachment: Rise of Contingent Work" (Kathleen Christensen); and (5) Conclusions--Issues for Research, Public Debate, and Policy Action. A list of conference participants is included in the report. (KC)

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Flexible Workstyles: A Look at Contingent Labor

ED305471

Conference Summary

U.S. Department of Labor
Ann McLaughlin, Secretary

Women's Bureau
Shirley M. Dennis, Director

1988

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ACKNOWLEDGMENTS

The Women's Bureau gratefully acknowledges the contributions of the Graduate School and University Center of the City University of New York, cosponsor of the conference "The Contingent Workplace: New Directions for Work in the Year 2000," and the National Council for Research on Women, which cooperated in the effort. To those experts from the public and private sectors who presented papers, to the other participants who shared their knowledge and perceptions of the scope and impact of contingent work, and to their affiliated organizations, we thank you for enriching the conference experience. Further, we appreciate the work of those persons who have transferred that conference experience to this summarized format.

FOREWORD

By

SHIRLEY M. DENNIS
Director, Women's Bureau
U.S. Department of Labor

The Women's Bureau has a strategic role in shaping tomorrow's workforce; women will make up the majority of new labor force entrants between now and the year 2000 and will be a vital part of our Nation's economy. In little more than a decade from now, we will be entering the 21st century workplace where computer-based technology and innovative work methods will likely be the productivity rule rather than the exception. The labor market will demand versatile workers with 21st century skills, and all of us--women and men, employers and employees, labor and management--must be ready to meet the challenges of a new age. The workplace transformation into the year 2000 will not have occurred overnight. Indeed, it has been unfolding over many decades and, as trends indicate, will continue into the future.

We stand at a critical juncture and need a clear perspective of future directions. Women are expected to account for nearly half of the total workforce--47 percent--by the turn of the century. The interrelationship of women's responsibilities to work, family, and other pursuits must receive wider attention. Old concepts about the separation of work and family life must give way to the stark reality that work life and family life do coexist in the majority of families today. Outdated attitudes regarding dependent care, benefit packages, and work schedules must give way to the new realities of life as we end the 20th century and enter the 21st.

A key requirement in the future workplace will be flexibility--a managerial tool for employers as well as a time management tool for workers. Women especially will continue to seek ways to accommodate commitments in their multiple roles. One of those ways has been for women to participate in the "contingent workforce," a growing force of part-time, temporary, or leased workers, and independent contractors. In doing so, however, many women have sacrificed some measure of economic security for that flexibility. This need not be the only alternative. Creative options are needed to achieve and protect the rights, benefits, compensation, and opportunities for all workers.

If the growing size of the contingent workforce signals a new direction for women and a new dimension of work in the year 2000 and beyond, it is essential that we examine this phenomenon now. We need to know what the implications are for the economic well-being of tomorrow's working women and their families. Those concerns led us to sponsor a conference on "The Contingent Workplace: New Directions for Work in the Year 2000." This publication, based on the conference, is intended to focus new light on the issues surrounding contingent work. We hope it will stimulate further research, spark more public debate, and promote government, corporate, and union policies that will be relevant to the 21st century workplace and the needs of its workers. We hope, too, that this conference summary will contribute significantly to the Department of Labor's focus on Workforce 2000.

CONTENTS

	Page
ACKNOWLEDGMENTS	ii
FOREWORD	iii
INTRODUCTION	1
BETWEEN NOW AND THE YEAR 2000: A GLIMPSE OF THE WORKPLACE	5
THE BIG PICTURE OF CONTINGENT WORKERS	
Understanding the Data on Part-Time and Temporary Employment	9
Historical Perspectives on Part-Time and Temporary Workers	14
FORCES DRIVING CONTINGENT WORK	
International Competition: Its Impact on Employment	23
Office Automation Technology and Contingent Work Modes	29
Production Organization and Worktime: The Emergence of a Contingent Labor Market	34
VARIANTS OF CONTINGENT WORK	
Part-Time Employment: Crosscurrents of Change	41
The Temporary Help Industry: Filling the Needs of Workers and Business	46
Temporary Help Is Becoming a Permanent Solution	50
Independent Contracting	54
Employee Leasing	59
SOME IMPLICATIONS AND CONSEQUENCES OF CONTINGENT WORK	
Shifts in Labor Market Structure and Patterns of Occupational Training	65
Union Responses to Contingent Work: Are Win-Win Outcomes Possible?	69
Women's Labor Force Attachment: Rise of Contingent Work	76
CONCLUSIONS: ISSUES FOR RESEARCH, PUBLIC DEBATE, AND POLICY ACTION	85
APPENDIX: LIST OF CONFERENCE PARTICIPANTS	91

INTRODUCTION

By

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Most American jobs remain in the traditional model--yearlong, Monday through Friday, 9 to 5 jobs in factories or offices located some distance from the home. Increasing numbers of jobs, however, deviate from this traditional picture of a permanent full-time position. Workers are being hired on a part-time, temporary, contractual, or leased basis. Collectively, this trend has been referred to as the "contingent workforce."

But this trend is by no means new. Certain industries such as retail trade and agriculture have long been marked by short-term, short-hour contingent conditions for employment. Historically, this has been referred to by analysts as a two-tiered workforce with a periphery of workers surrounding a core; an internally segmented or marginal workforce.

What is new about this trend in the United States today is that:

- contingent work affects a much wider range of industries, including such growth industries as banking, insurance, telecommunications, and health care;
- contingent work cuts across all occupations from computer analysts, to lab technicians, to typists and customer service representatives in a cross-section of all industries;
- contingent work is no longer confined largely to students, holiday workers, farm workers, or women working for "pin money" to buy a few extras. Rather, it is affecting men as well as women, and people working for economic survival as well as for supplemental income.

Contingent work is not unique to the U.S. workforce. This trend occurs as well in Japan and Western Europe.

To address the dimensions and causes of contingent work and the consequences for U.S. employers and workers, the Women's Bureau, Region II, U.S. Department of Labor, and the Graduate School and University Center, City University of New York, convened in New York City in January 1987 a national 2-day working conference of more than 40 experts. The participants included representatives from government, trade unions, the private sector, academia, and community-based advocate groups.

Our mandate was to explore the impact of the trend toward contingent work on women, who make up the bulk of part-time and temporary personnel and who overwhelmingly fill the new jobs being created in our growing service and

information-based economy. Evidence also necessitated that we pay attention to other at-risk groups such as older workers, including those displaced by factory closings; minority youth; and immigrant populations. The essential question driving the discussions at the conference was: How can we make the United States more productive, flexible, and equitable as it shifts to a workplace in the year 2000 that is characterized increasingly by contingent work?

The Elements of Contingent Work

The term contingent work is an umbrella term used to describe changes in employer-employee relations. It is important, however, to recognize that at the root of contingency lies some important shifts in three traditional notions of what employment is all about.

First is the notion of time--how long and when people work. Contingent work implies something different from employment that consists of an 8-hour day and a 5-day week throughout the year. It can be part time, when a person works 35 hours or less a week, or it can be part year, when a person works several weeks or several months seasonally.

Second is the notion of permanency. Contingent work involves something other than a permanent relationship between employers and employees, whether in the factory or office. Work can be temporary, meaning that a worker is hired for a limited but definite time period, with no commitment for future employment. (An entire industry, in fact, has grown up around such temporary work arrangements.) It can also mean individuals being hired on a long-term contractual basis, with a precise limit on the contract but no promise of a renewed or future contract.

Third is the notion of the social contract that exists between employers and employees. The traditional employer-employee contract is premised on reciprocal rights, protections, and obligations between the worker and the person or company hiring that worker. For example, as a legally defined employee, a worker is guaranteed under Federal law such protections as workers' compensation and unemployment insurance. Since the early 1960's, equal opportunity protection has been built into the system as well. In addition, traditional workplace norms imply a certain degree of job security, advancement opportunities, and options for training and skill upgrading. In turn, the worker is expected to have a positive attitude about work ethics, and is obligated implicitly, if not explicitly, to be loyal and to be willing when necessary to work overtime with or without compensation (depending upon exempt status under Federal law). Beyond the contractual obligation of compensation for work performed, the obligations between employers and contingent workers may exclude virtually all of the rights and protections associated with the "social contract."

There is also a notion expressed by some analysts that the emergence of a contingent workforce signals a change in the location of work. The reality is that most part-time, temporary, contracted, and leased workers appear to continue to work in traditional on-site workplaces such as factories and offices. But increasing numbers of independent contractors, sometimes euphemistically referred to as freelancers, telecommuters, or consultants, work not on-site but in their homes.

The Public Debate

An important debate is emerging around contingent work. Some commentators see the constellation of part-time, temporary, and contract work as weakening the social contract between employers and employees, leading to an erosion of employee rights and protections. For example, too often part-time, temporary, or contract workers receive neither health nor pension benefits nor have union representation. In addition, contract workers--since they are self-employed--are not eligible for workers' compensation or unemployment insurance.

Others argue the positive aspects of contingent work. In an intensely competitive economic environment, contingent work provides employers with a highly flexible workforce that can be contracted or expanded according to demand. In addition, in a rapidly changing family structure where more women are working, contingent arrangements offer flexibility, particularly for women who must combine work and family responsibilities. Although many working women are concerned with arrangements for the care of their children, increasing numbers shoulder responsibility for the care of elderly family members.

The Conference Focus

In planning the conference, we were not convinced that the issues surrounding contingent work should be reduced to simple pro or con arguments. Rather, we felt that it was important to refine discussion of the issues in such a way as to help policymakers determine under what conditions contingent work could be used to meet the needs of both employers and workers. To that end, the Women's Bureau commissioned a number of background papers to be presented at the conference. This publication presents summaries of those papers--except the final paper, which is printed here in its entirety.

Like the conference, the papers have been organized around the following themes:

- descriptions of current and historical trends in part-time, temporary, and contract work;
- an analysis of forces driving the emergence of these contingent forms of work;
- detailed descriptions of part-time work, temporary employment, independent contracting, and employee leasing;
- an assessment of the implications and consequences of these arrangements for training opportunities for American workers, for union contract negotiations and collective bargaining agreements, and for women in particular--who have a strong attachment to the overall labor force as well as to the contingent workforce.

In Section I, Thomas Plewes of the Bureau of Labor Statistics lays out some definitional problems, queries the magnitude of the trend, and likens this workforce trend to current just-in-time inventory control practices. Recognizing that contingent work is not a new phenomenon, Joyce Kornbluh of the University of Michigan situates part-time, temporary, and part-year work in a historical context, focusing on the generally low-pay, low-status

character of these jobs and their propensity to be held by women, immigrants, minorities, older workers, and youth.

In Section II, Roberta McKay of the Women's Bureau looks at how international competition influences the structure of our domestic labor markets, stimulating demand for contingent workers. Vary Coates of the Office of Technology Assessment, U.S. Congress, evaluates the role of technology in facilitating the move to contingent forms of work and argues that the major impetus of the trend is not technology but rather the pressure to cut labor costs, especially secondary labor costs affiliated with benefits. While both McKay and Coates look at forces driving contingent work which are external to the American corporation, Susan Christopherson of Cornell University argues that the demand for contingent labor relates to long-term changes in the way goods and services are produced in industries and firms.

The five papers in Section III describe the forms of contingent work in more detail. Helen Axel of the Conference Board looks at particular part-time work arrangements that have emerged: work sharing, job sharing, professional part-time employment, and transitional retirement programs. Sharon Canter of Manpower, Inc., highlights some advantages of temporary arrangements for workers and employers, and Anne Nelson of Cornell University looks at the rapidly growing temporary industry, examining its potential for labor-management conflicts and the impacts on women and minorities. Kathleen Christensen explores the world of the individual contractor and makes an important distinction between voluntary and involuntary contracting arrangements, with voluntary contractors more closely resembling entrepreneurs and involuntary contractors relegated to second-class corporate status. Jeff Day of the Bureau of National Affairs presents information on one of the newest and most controversial forms of contingent work--employee leasing. Here workers are leased from an outside firm rather than hired directly by the firm where work is performed.

Section IV turns to some of the consequences of contingent work. Marcia Freedman argues that with the shorter tenure and higher rates of turnover associated with certain forms of contingent work, training opportunities--on-the-job training in particular--are likely to decline for these workers. Recognizing that union attitudes toward contingent work are changing, Eileen Appelbaum of Temple University and Judith Gregory of the University of California-San Diego assess a number of contexts in which contingent work can be bargained to meet the needs of both management and workers.

In the final paper, Kathleen Christensen examines some causes and consequences of women's pursuit of part-time, temporary, and contract work, posing the question: what price flexibility? She argues that women are paying a high price, that in obtaining flexibility they too often are forced to forfeit such basic protections as health and pension coverage, and that their need for flexibility is often tied to the unavailability or high costs of child and elder care.

Note: The unabridged conference papers, including tabular data, literature citations, and bibliographies, are available in single copies from the Women's Bureau, U.S. Department of Labor, Washington, D.C. 20210.

BETWEEN NOW AND THE YEAR 2000:
A GLIMPSE OF THE WORKPLACE

By

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The world in which we live and work today is far different from the one in which most of us grew up. And it is up to us to help define the new terms, especially as they relate to the workplace. We must be prepared to reexamine the relationship between work and family, employers and employees, husbands and wives, parents and children, society and its individuals. The redefinition of terms is essential to our collective well-being. Meeting the needs of work and family will become even more critical as we look forward to the year 2000.

Although we do not have a crystal ball at the Labor Department, we do have some good ideas about what to expect between now and the year 2000. Over 80 percent of the workforce growth will come from women, minorities, and immigrants. Women alone will make up 60 percent of that workforce growth. We also project that most of the jobs will be in the service-producing sector, and that's good news for women--5 out of 6 women work in the service sector. We also know that between now and the year 2000, there will be a shrinking labor pool as the "baby boomers" get older.

One of the alarming projections for the near future is the expected skills shortage, particularly among younger workers. This will lead to more intensive competition for fewer unskilled and semiskilled jobs. Society's need for what women have to contribute will be greater than ever before.

While our attention is focused on the workplace changes before us, it is critical to remember that at the same time the family is changing. In fact, the traditional family represents only 5 percent of all families. The predominant family type is the married couple in which both husband and wife work. Women are delaying marriage, delaying bearing children, and having fewer children. And when they have a child, almost half of them go back into the labor force within the first year of the birth.

Nearly 20 percent of American families are headed by single parents. The number has risen by 89 percent in the last 15 years and is expected to increase. From the 4 million female headed households in 1970 the number has risen to 10.5 million in 1985.

We must take note of the tremendous growth in the number of women in business. It is one of the most promising developments in the area of women's labor market participation. Between 1974 and 1984, women in this country went into business at a rate three times that of men. There were about 3 million women business owners as of 1982--that's one-fourth of all businesses. And that's real progress.

Once clustered in a handful of traditional jobs, women now work in a variety of occupations. They have branched out into such fields as accounting, law, medicine, science, computer engineering and design, and banking and finance. Adjustments are critical in the home, at work, and in society in general to compensate for the shift in our Nation's division of labor. Accommodating that momentous shift--and dealing with it effectively--demands a creative vision of what we want our society to be in years ahead. How we will accommodate work-family needs in the year 2000 depends in large part on what we, as a Nation, do today to shape the future in an intelligent and creative fashion.

The findings of this conference promise to have a significant impact as we work toward that goal. To demonstrate the importance the Secretary of Labor* has attached to the subject areas we are discussing at this conference, he has called for interagency research on those issues. And we are pleased to have a number of Department of Labor representatives participating in this conference.

The Women's Bureau has a long tradition of staying ahead of the curve on women's issues. A monograph published by the Bureau in 1951 was among the first full-scale studies on part-time jobs for women, and now we are directing attention toward the contingent workplace, including the role of part-time workers. The upside of this latest issue is the flexibility that it permits to both the worker and the employer. The downside is the potential for a growing class of unprotected workers.

We await the conference findings to view the significant impact that the contingent workplace will have on women and minorities.

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*Secretary of Labor William E. Brock resigned his position effective November 1, 1987.

Section I

THE BIG PICTURE OF CONTINGENT WORKERS

UNDERSTANDING THE DATA ON
PART-TIME AND TEMPORARY EMPLOYMENT

By

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In reporting sharp increases in both part-time and temporary employment in the first half of the 1980's, much of the analysis has expressed concern over the effect of the increases on the well-being of the American worker. The suggestion is that, because part-time and temporary jobs generally provide lower earnings, fewer fringe benefits, and less security than full-time positions, continued expansion of part-time and temporary positions could result in a decline in the quality of opportunity in the labor market. Many analysts have described the employment phenomenon as the "contingent workforce."

With the explosive growth in service-producing employment, particularly in trade, eating and drinking places, health, business and financial services, the concern is that the very nature of the workplace has changed in a generally negative way. That changed nature is usually described in terms of hours (part time vs. full time) and employment arrangements (temporary or contractual labor vs. employment directly by the employer).

The shift to a contingent workforce is not a major trend that warrants emergency concern. Most jobs will continue to be of a full-time nature and much of the increase in part-time and temporary employment has stemmed from cyclical factors that have moderated. On the other hand, the trends are of sufficient importance to bear close watching and, hence, it is important to attempt to come to a full understanding of the scope and impact of the trends.

In this analysis, part-time workers are defined as those persons who usually work less than 35 hours a week regardless of the reason for their short hours. Part-timers include not only persons who want part-time work but also those who have found it necessary to settle for shorter hours. Temporary employment refers to jobs held for a limited period, either part time or full time. The best estimate of temporary employment available is the number of persons employed in the temporary help supply service industry, which consists of businesses supplying temporary help to other establishments on a fee or contractual basis. This estimate does not include people whose jobs are temporary but who have direct arrangements with their employers.

Part-Time Employment

For a large part of the workforce--18.6 million persons, or 1 of every 6 workers in 1985--part-time employment is a fact of life. Even this significant number excludes persons working at more than one job, including those holding two or more part-time jobs in order to have a full-time workweek--3.8 millions persons hold a part-time as well as a full-time job and 1.2 million hold two part-time jobs.

The part-time workforce is composed primarily of young people, women, and older workers. Women age 25 to 54 make up over one-third of part-time workers--37 percent of the total in 1985. However, full-time employment is the norm for both sexes--about three-fourths of adult women and more than 90 percent of adult men were employed full time. The higher proportion of women part-timers may be attributed in part to the need to handle household and childrearing responsibilities in addition to a career and, therefore, a desire for flexibility in work schedules. It may relate also to lack of opportunity for full-time schedules or to stereotypical employment practices.

Younger and older workers (age 55 and over) also account for a high proportion of part-time employment, 37 and 18 percent, respectively, in 1985. Part-time schedules allow young people to work while attending school. Those schedules are attractive to older workers as a way to ease the transition into retirement and later to supplement retirement income.

A slightly higher proportion of whites than blacks are employed part time--18 versus 16 percent in 1985. This difference was greater among women than men. Nearly 3 out of 10 white women worked part time, compared with only 2 out of 10 black women. While whites are more likely than blacks to work part time, a disproportionate number of blacks are part-timers involuntarily. Blacks accounted for only 10 percent of all employed persons in 1985 but for 16 percent of all persons working part time for economic reasons.

Part-time workers are more apt than their full-time counterparts to hold jobs in retail trade and services industries. Together, these industries accounted for nearly 80 percent of part-time nonagricultural wage and salary workers. Nearly half of all part-timers are in sales or service jobs. A third of the wage and salary workers in retail trade and a fifth of those in services are employed part time. The extensive use of part-timers in these industries results from the needs of such businesses to offer services to customers during evenings and other times that are not readily staffed by full-timers. In goods-producing industries, where operations generally are conducted in one or more 8-hour shifts, the usefulness of part-time workers is limited. The executive, administrative, and managerial occupations group typically has a low percentage of part-timers.

Temporary Help Supply Service Employment

The characteristics of temporary help industry employees are similar to those of the part-time workforce. In May 1985, almost two-thirds of the temporary help industry workforce were women, reflecting the advantages offered to many women by the combination of flexible work schedules and the

opportunity to acquire needed experience and job market exposure. Also, women are attracted to the large number of administrative support jobs, including clerical positions, available in this industry.

Women with family responsibilities are particularly attracted to temporary employment, because it provides the flexible work schedules that allow them to reconcile work outside the home with family commitments. Women who reenter the labor force after a long absence to raise a family may prefer to work in temporary jobs until they are able to find suitable permanent employment. Other women prefer the flexibility of the temporary help environment for the long term. In either case, the increasing tendency among firms to contract out for temporary employees has provided a growing job market for women.

Employment in the temporary help supply industry is also appealing to young workers (16 to 24 years of age) who want the schedule flexibility that will allow time for attending school or the opportunity to work during vacations. Young persons with little work experience also are attracted to employment in temporary agencies as a means of moving into higher paying permanent positions. Young workers held 1 out of 3 temporary help supply service jobs in 1985, compared with 1 out of 5 wage and salary jobs in all industries.

In addition to the large concentration of women and youth, there is a relatively high proportion of blacks among temporary help workers. In May 1985 about 1 out of 5 such workers were black, nearly twice the proportion found among all industries. About half of the black workers in this industry were women, similar to the black workforce in all industries. In contrast, among white workers, women accounted for two-thirds of the temporary help workforce but for only 44 percent of wage and salary employment in all industries.

While the majority of temporary help supply employees work full time, a very large proportion--2 out of 5--work part time. Women were somewhat less likely than men to work full time, but this depended largely on their marital status.

Temporary help workers perform a variety of jobs, from service workers earning the minimum wage to highly paid technicians or administrators working as temporary specialists on specific jobs. When compared with all industries, however, a particularly large concentration showed up in administrative support and industrial help occupations; 43 percent were in such clerical positions as general office clerks, secretaries, typists, and receptionists--2½ times their proportion in all industries.

More than 9 out of 10 clerical jobs in this industry were filled by women. While skill requirements for many of these positions are relatively low, more highly skilled clerical workers, particularly those with word processing skills, are much in demand; consequently, pay for these workers is relatively high compared with other clericals.

The second largest occupational market in this industry is for industrial help workers. They include persons in such occupations as helpers, laborers, handlers, and equipment cleaners, who provide common labor during times of need. Little work experience is required for many of these jobs, and the demand for workers is both seasonal and cyclical. Many are employed as fill-ins to handle temporary overloads or to step in when regular employees are ill or on vacation. Only 55 percent of temporary industrial help workers worked full time, somewhat lower than the administrative support workers. Black men generally are much more likely than their white counterparts to be employed in the industrial jobs.

Trends in Part-Time and Temporary Employment

Between 1979 and 1985, the number of part-time workers rose slightly faster than the number working full time, and employment in the temporary help industry grew about nine times faster than in all nonagricultural industries combined. There was a large increase in involuntary part-time employment during the recessionary period of the early 1980's, while the growth in temporary employment began at the onset of the recovery in late 1982.

Part-time employment rose from 13 to 15 percent during the 1960's, but rose only another percentage point during the 1970's. Most of the growth during the seventies occurred among people who worked part time voluntarily. During the recessions of the early 1980's, however, the number of employed persons who were forced to settle for part-time positions nearly doubled. As a result, part-time workers as a proportion of the total employed rose further, reaching 18.4 percent in 1983. With the onset of the economic recovery in late 1982, full-time employment began to grow much more rapidly than part time. Nevertheless, the number of persons who work part time for economic reasons remains high by historic standards.

Employment of temporary help, which had increased significantly in the late 1970's, grew more slowly as the economy weakened in 1980 and then declined slightly during the 1981-82 recession. With the onset of the current economic recovery, however, employment in the industry skyrocketed, adding about 265,000 workers to its payrolls in the first 2 years of recovery. One reason for the expansion may have been a hesitancy by some employers to expand their permanent staffs until they felt more certain of the upward surge of the economy. Despite the rapid growth in the industry, currently at 835,000 jobs, it still accounted for less than 1 percent of total wage and salary employment in October 1986.

The cyclical factors which underlay the sharp increases in part-time and temporary employment during the early 1980's have abated. The differences between this recovery and previous ones, however, indicate that long-term growth in these job categories can be expected to continue. Employers are reacting to the far-reaching negative experiences of the 1980 and 1981-82 recessions and seem to be reacting to increasing global competition by trying to coordinate labor costs with fluctuations in demand. Just as employers have reduced holdings of inventories by "just-in-time" inventory control practices, they seem to be attempting to build "just-in-time" workforces.

By utilizing part-time and temporary workers, employers can gain flexibility in dealing with short-term changes in workloads. Obtaining temporary help, in particular, can be done more quickly than hiring permanent workers, since the temporary help firm has already recruited, screened, tested, and, in some cases, trained applicants. Another important consideration is that part-time and temporary workers tend to earn less than their full-time counterparts. In 1985, for example, median hourly earnings of part-time workers were $4.17 compared with $7.05 for full-time workers.

What is the future course of growth for the contingent workforce? That depends on the interaction of several factors. The projected growth in the service-producing sector will provide the predominate influence. The Bureau of Labor Statistics projects that almost 9 out of 10 new jobs between 1984 and 1995 will be in the service-producing sector. In many industries and occupations, however, factors will tend to limit extension in the use of part-time and temporary workers. They include reliance on 8-hour shifts of operations, extensive training or experience requirements, and the preference of employers for full-time, permanent staff.

In the absence of the cyclical shocks that spurred much of the recent growth, trends in part-time and temporary employment should reflect more moderate growth patterns. However, part-time and temporary workers will play an increasingly important part in the American labor scene.

HISTORICAL PERSPECTIVES ON PART-TIME AND TEMPORARY WORKERS

By

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There have been no comprehensive nationwide studies providing uniform periodic data on the extent and nature of part-time and temporary work from the 19th century to the present time. Not until the Depression of the 1930's highlighted the need for improved employment statistics were systematic efforts made to collect such data. In the 1940 and 1950 Censuses, questions were asked for the first time about the number of hours worked during the previous week and the number of weeks worked in the previous year. In 1955 the Current Population Survey began to collect information on hours worked each month, and in 1975 added questions on the reasons for part-time work in order to determine the number and nature of voluntary and involuntary part-time workers.

(The Bureau of Labor Statistics classifies persons who work less than 35 hours a week as "part-time" workers. "Voluntary" part-time workers are those who choose less than full-time jobs. "Involuntary" part-time workers settle for part-time jobs because full-time hours are not available. Their partial joblessness may come about because they could only find part-time work or because their full-time hours were reduced because of slack work.)

Reports and surveys over the years, as well as recent articles in journals and the press, indicate that part-time, temporary, and seasonal workers have not been considered full-fledged members of the labor force. These workers have been labeled "peripheral," "marginal," "secondary," "fringe," "irregular," "contingent," and "a reserve army of labor," and they have lacked the benefits of appropriate social policies and institutional protection. Information about the historic patterns of part-time workers and the jobs they hold fills an emerging need to understand the labor market and labor force in the present and recent past.

Early Trends

Sporadic and seasonal jobs were common in farming, logging, canning, trucking, and other nonmanufacturing industries in 19th century United States with its predominantly agricultural economy. As the Nation became rapidly industrialized and urbanized by the end of the century, newly expanding cities absorbed two streams of migrants: about 600,000 a year who came from Europe and hundreds of thousands of teens and young adults who migrated from farms to urban areas.

More than half of the foreign immigrants listed "no occupation" on arrival in the United States. A fourth identified themselves as laborers. Skilled workers accounted for only one-tenth of the total immigration up to the turn of the century. Immigrants provided a labor surplus available for all kinds of work, more often unskilled than skilled, at lower wages and poorer conditions than native artisans and mechanics considered essential for decent living. Men found intermittent and seasonal work, for example, in construction, lumber camps, and food packing plants. Homework developed as a large-scale form of part-time work for women.

While social status and stability derived in large part from the wages and economic benefits of a full-time, continuous job, many immigrants were consigned to occupations in intermittent, unskilled, manual operations or in "fly-by-night," inefficient, poorly capitalized business enterprises. All too often, even the trade unions offered little protection since many of the workplaces were unorganized.

Organized labor strengthened its collective bargaining position during the first World War. Many women who had held part-time or intermittent jobs in the early part of the century were recruited to fill labor shortages by working full time in factories, only to be laid off to return to their lower status occupations after the war ended. By the 1920's most higher status craft and factory jobs were a white male's preserve, protected in many cases by union contract. With the passage of the Quota Law of 1921, it was no longer possible to recruit peripheral workers from a flow of immigrants.

Thus, historically, involuntary part-time or temporary work was most often associated with a surplus labor market and a lack of labor union job control. It has been primarily concentrated in unskilled, low-wage jobs when not due to "slack time" for male (and some female) full-time industrial workers, and in service and "cottage" or homework manufacturing industries that lend themselves to this kind of work organization for women.

Nature and Composition of the Current Part-Time Workforce

Similarities exist in groups that made up the part-time workforce in the 45 years between 1940 and 1985: women, youth, the aged, and minorities. Women have been the majority of part-timers. Currently, 6 out of 10 are married; about 3 out of 10 are single, a higher ratio than among full-time women workers that reflects the inclusion of female teenagers. Most male part-timers are single since this group includes teenagers. Two-thirds are under age 24 or over the age of 65. A slightly higher proportion of whites (18 percent) than blacks (16 percent) worked part time in 1985. Nearly half of all part-time nonagricultural workers are in sales and service jobs where they are used extensively to help customers during evening, weekend, and holiday hours.

As of 1985, the workers who choose to work part time numbered 13.5 million and are classified "voluntary part-time employed" in contrast to the 5.6 million who are working part time because they are unable to find

full-time employment. The majority (54.4 percent) of voluntary part-timers work 15 to 29 hours a week in contrast to the involuntary part-timers, 87 percent of whom work 15 to 34 hours a week, with close to half (45 percent) working 30 to 34 hours a week. As in previous decades, a sizable proportion of involuntary part-timers are men in the manufacturing and construction industries, although large numbers of persons in both groups are in the services and trades.

There is some literature on two significant cohorts of part-time workers: women and professionals. Although minorities, youth, and older people are significant groups involved in part-time work, there is little focus on these groups in studies in the past.

Women in Part-Time Jobs

Women comprised the largest segment--two-thirds--of the part-time labor force in 1985. The increased participation of married mothers in work outside the home, women's higher median age at marriage and childbirth, and declining birth rates and family size are reasons advanced to explain the spurt in women's full-time and part-time labor force participation in the last 46 years.

Between 1940 and 1986 the number of women on part-time work schedules increased six-fold, whereas the number who worked full time grew more slowly. In 1940 the industries with the largest number of workers in part-time jobs were manufacturing and services. The big employers of male and female part-timers in 1940 were the same industries that had high unemployment rates: manufacturing and the extractive industries. A decade later the chief employers of part-timers were the services and trades industries, which then had low unemployment rates. In 1940 about equal proportions of women part-timers held jobs as white-collar, blue-collar, and service employees. About a decade later, the majority of women part-timers worked in white-collar and service occupations. In that 10-year period, the underemployed white woman of the 1940's was replaced by the voluntary woman part-timer of the 1950's. By the late 1950's it was recognized that women were often heads of households who needed to work, even part time, to bring family wages up to subsistence level.

In the early sixties, articles on part-time work for women were more frequent and sympathetic and called on employers and unions to find more part-time jobs for women who needed to combine home responsibilities with the opportunity to earn needed wages. The typical part-time woman worker in 1960 was married, between ages 35 and 44, and employed in a service job. Women over age 44 increased their part-time work in large numbers, suggesting that part-time work was a reentry vehicle. The emphasis on financial need as a motivation for women to seek part-time work began to change during the course of the 1960's and 1970's, however, as more women sought part-time work for psychological and intellectual satisfaction as well as for financial reasons.

Part-Time Professionals

Part-time and temporary employment not only has grown at phenomenal rates in the last decade but also is changing due to social and economic pressures. A "new breed" of part-time or temporary professionals has developed: employees who choose part-time work for reasons other than the inability to find a full-time job. These are highly skilled, well educated, and experienced workers who, for a variety of reasons, work a part-time or temporary schedule for good wages in flexible employment settings.

Women with childrearing responsibilities account for the highest percentage of part-time professionals but their ranks are slowly including professional males who want to combine part-time professional work, law and medicine included, with other continuing education, family, or avocational interests.

Growth of the Service Sector

Over the past 30 years, service establishments have dominated economic growth in the United States. The expansion of the service sector has paralleled an unprecedented rise in women's employment in the last two decades. The two phenomena have converged in the service industries in the form of low-paying part-time jobs occupied primarily by women.

In the decade between 1970 and 1980, service businesses accounted for 86 percent of all private sector employment growth; retail trade and business and personal services accounted for nearly all--80 percent--of that new employment. During those years the wage gap between service sector jobs and manufacturing jobs widened. By 1980 service workers earned 51 cents for every dollar earned by workers in manufacturing.

Employees in service jobs have twice the turnover rate of those in manufacturing and a higher percentage of part-time work. Characteristic employment practices support overall low wage and simultaneous increases in the size of the labor force that is expanded or contracted to meet fluctuations in demand. Thus, in the past two decades, labor costs have decreased while the number of service workers has greatly increased. Eighty-nine percent of new jobs in 1985 were in service-producing industries and 59 percent were in the lowest paying areas: business and health services and retail trade where the average weekly wage is less than half of that in manufacturing and where even full-time work at this wage rate would bring in only 83 percent of the Government's poverty level for a family of four.

There is no question that the growth in part-time work was facilitated by the increased rates of employment of women who have children and who were paid less than the average wage, since virtually all the new jobs between 1970 and 1980 were in the lowest wage sector. This condition contributes substantially to the "feminization of poverty." In the last three decades, and especially since 1970, low-wage jobs in the poorly paying service sector have become part of a dominant pattern instead of an abberation in normal employment practices.

Growth of the Temporary Help Industry and Temporary Jobs

The growth of the temporary help industry signals a fundamental shift occurring in the U.S. workforce. The industry has changed "from a replacement and fill-in service to an effective labor tool for managing labor costs," an article in the Washington Post reports. Among the five fastest growing industries, increasing at a rate of 19.1 percent since 1971, temporary help services have increasingly become part of the regular economy since they were started in the late 1920's. In 1975 the industry had a payroll of $853 million and filled 186,000 jobs daily. Ten years later the payroll hit $6 billion and filled an average of 830,000 jobs on any given day and 5 million jobs a year. These figures do not include the "direct hires"--the temporary workers who are employed by businesses, institutions, and governmental agencies.

It is generally agreed that the temporary help industry originated in Chicago and spread at first through the Midwest, concentrating on offering extra clerical help that would aid firms to complete their periodic inventories. Several of the largest contemporary services started in the post-World War II period in the late forties. Clerical work performed by women remained the dominant portion of the temporary help industry until recent years. In the last decade the industry has expanded to offer employees for office, industrial, technical, medical,and engineering fields. In the process more professionals and skilled workers such as registered nurses, computer programmers, engineers, medical and legal transcribers, equipment operators, and repair persons are increasingly employed on a temporary basis.

Federal and State Governments and many public agencies and educational institutions employ thousands of temporary direct hires each year. In January 1985 Federal civil service regulations were changed to permit the Office of Personnel Management (OPM) to hire temporary workers for up to 4 years without providing fringe benefits. In January 1986, 300,000 Federal employees, including postal workers, were listed as temporary workers.

Involuntary Part-Time Employment

A number of union leaders and government researchers have claimed that part-time and temporary work constitute partial joblessness and underemployment for a significant number of workers. This group of underemployed includes millions in periods of prosperity as well as in recessions who would prefer to work full time. Workers whose hours are reduced are usually not entitled to draw unemployment insurance for their lost worktime.

In 1979 the majority of involuntary part-timers were men (61 percent) between the ages of 25 and 54 who were usually full-time workers in the industrial sector. The other 39 percent of involuntary part-timers were women, young adults age 16 to 24, and minority group members. Fifty-five percent of those who found only part-time jobs worked less than half the year. Women, blacks, and young people were also overrepresented in the involuntary part-year group.

Between 1979 and 1985 the number of involuntary part-timers increased 60 percent. With the economic recession of 1980-82, the number reached a record high and maintained its marked increase even during the recovery period of the next 4 years. In 1985, 5.6 million persons were involuntary part-timers. Women constituted a majority (62 percent) of the part-timers involuntarily employed in January 1986.

Involuntary part-timers have a higher incidence of poverty relative to other workers. Their median family income was only three-fourths the income of voluntary part-timers. Approximately 19 percent of involuntary part-timers are in poor families with income below the Federal Government poverty line. Black female household heads who are involuntary part-timers are more than 60 percent of those with incomes below the poverty level.

Union Views of Part-Time and Temporary Work

Out of the 1930's Depression a new type of industrial union emerged to organize the unskilled and semiskilled, native and foreign born, white and minority workers in large-scale industries, winning rights and economic benefits that helped many factory workers lead a more economically stable and secure existence.

In the thirties the unions shared traditional attitudes of ambivalence toward part-time and temporary work. They saw the growth of a part-time and temporary workforce as a threat to labor. Their fears were founded in multiple experiences of employer use of part-time and temporary workers to break unions or to circumvent union organizing activities.

Some employers use part-timers to depress piece rates and speed up work rates of full-time piece workers. They recruit part-timers because they are hard to organize and because they accept low pay, few or no fringe benefits, and no long-term guarantees of jobs. In periods of labor surpluses and job shortages, part-time employment spreads underemployment and delays the creation of full-time jobs.

Over the past 30 years with the unionization of professional workers, some of whom work part time (teachers, nurses, airline pilots, actors, writers, musicians), and with the rapidly expanding participation of women in the labor force and in unions, some unions have bargained for alternative work schedules, including part-time work, provided it does not undermine union pay standards and is covered by prorated fringe benefits.

Unions perceive a great threat, however, when the part-time phenomena are used outside the organized workplace to put union members at a competitive disadvantage. Two unions are currently fighting the problem of corporate use of nonunion subcontractors who hire part-timers and temporaries to do an increasing amount of work that is traditionally covered by union contract.

Federal and State Initiatives for Voluntary Part-Time Work

By 1961 women's groups were interested in the relationship of part-time work to female aspirations as well as to family economic needs. All seven of the committees set up by the President's Commission on the Status of Women discussed such work arrangements for women. The Commission report stated that Federal agencies discouraged part-time employment, and it recommended that the Civil Service Commission and the Bureau of the Budget facilitate part-time opportunities in Government so that capable women with families would be able to participate in Federal employment.

By 1978 the Federal Employees Part-Time Career Employment Act was passed. It defined permanent part-timers as career or career conditional appointees who work for less than full-time each week with a prearranged schedule and who are eligible for fringe benefits: retirement benefits and health and life insurance. The act required all Federal agencies to establish part-time programs.

In spite of these efforts, part-time employment in Federal agencies remains concentrated in the lowest grades. Only 30 percent of the 20,000 part-time positions created since 1978 are above grade 5 level. One explanation is that agency restructuring and massive budget cuts that affected Federal personnel in 1981 diverted attention from pursuit of goals for furthering part-time employment.

In the 1960's and 1970's a number of States took action to reassess and redesign their employment policies and to create projects and legislation to expand part-time positions in State government. Legislation was enacted to require State agencies to increase employment of part-time workers, and to provide certain employee benefits for part-timers in State service.

By 1982, 25 States and the Federal government had passed legislation to develop more part-time opportunities for public sector workers and to support pilot projects designed to test the feasibility of providing opportunities for employees to cut back on their hours of work.

Section II
FORCES DRIVING CONTINGENT WORK

INTERNATIONAL COMPETITION:
ITS IMPACT ON EMPLOYMENT

By

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Competitiveness has an abstract yet precise meaning to economists. The definition stresses production costs and market prices. The meaning is rooted in comparative advantage (greater relative efficiency) and is ultimately based on relative costs. Simply, in a comparative advantage framework, low production cost gives a competitive advantage through specialization. By specializing in what a country can produce most efficiently--commodities in which it has the highest productivity--world production is expanded, making it possible to have a rising standard of living, according to a study commissioned by the Congressional Office of Technology Assessment.

"American competitiveness in the global marketplace is being rigidly tested. Countries in Europe, Asia, and other parts of the world have emerged as strong challengers in international commerce. The impact of foreign competition can be measured by the loss of domestic and foreign markets and the decline of many of the country's basic industries," according to the report of the Secretary of Labor's Task Force on Economic Adjustment and Worker Dislocation.

The impact of competitiveness on employment has been to increase the flexibility of the U.S. labor market (unemployment, wages, and prices) in response to the quickened pace and pervasiveness of structural change facilitated by technology and other factors. Worker dislocation and off-shore employment are additional responses to the impact of competitiveness on employment in a world economic environment.

Underlying the fall-off in U.S. industrial performance has been the serious slowdown in the growth of labor productivity relative to its foreign trading partners. Other industrialized countries also had sharp declines in productivity growth, but their residual growth rates exceeded those of the United States. Productivity measures the real value of goods and services per hour of labor; therefore, it is t..e source of rising real wages and a rising standard of living.

Clearly the challenge today is to maintain and enhance the U.S. standard of living in an increasingly competitive international marketplace. The competitive question relates to relative changes in unit labor costs

that involve changes in both productivity and compensation--wages and salaries, supplements, and employer payments for social security and other employee benefit plans. Thus, productivity and wage rates interact to determine unit labor costs. Competitive strategies that aim at lower unit labor costs by optimizing compensation/wage and productivity efficiencies make it possible for real economic improvement.

Restructuring U.S. Industry

The seriousness of the international competitiveness problem is highlighted by the growing dependence of the U.S. economy on international trade. By the late 1970's, 1 out of 6 manufacturing workers produced for export; 1 out of 3 acres of U.S. farmland produced for export; and nearly 1 out of 3 U.S. dollars of U.S. corporate profits was derived from international activities, exports, and investments of U.S. corporations.

Exports as a percentage of Gross Domestic Product (GDP) have doubled since 1973 to about 14 percent in 1985. The falling dollar is expected to increase exports, by lowering prices, as U.S. goods and services become more attractive to foreign buyers. At the same time, imports as a percentage of new supply increased substantially in some of the long-term declining trade-sensitive industries such as leather, apparel, primary metals, electrical machinery, and miscellaneous manufacturing.

An important source of competitive advantage is superior technology--making a good product at an attractive price. Superior manufacturing or process technology as well as product technology are ways of achieving low costs. For products and commodities that are technologically similar, cost and prices are the primary determinants of competitiveness. Research and development must be a continual process for firms today. The closing technology gap creates even greater pressure on firms to maintain their competitiveness and, in doing so, the international competitiveness of the United States.

In the end, it is the capability of individual firms that determines a nation's competitiveness. The ability of firms to create/develop, manufacture, and market (including sales, service, and customer support) determines a nation's competitive position in the world economy.

Improving U.S. international competitiveness, with its related employment tradeoffs, is a complex issue. International competitition is also affected by the more general restructuring of the U.S. economy. Changing consumer demographics, demand patterns, the pervasiveness of computer-based technologies incorporating advanced electronics and telecommunications, as well as lowered transportation costs, are the other major forces facilitating U.S. industrial restructuring. Along with increased international competitiveness, the foregoing forces are changing the workplace expectations of both employers and workers.

Against these structural changes, U.S. competitiveness is further challenged by European trading partners and, even more aggressively, by newly emerging trading partners from East Asia (Pacific Rim countries of South Korea, Taiwan, Singapore, Hong Kong), Latin America, and the Caribbean,

as well as industrialized Japan. Both traditional high-volume, standardized production systems and low-wage labor intensive production is shifting to the newly industrializing countries in East Asia, Latin America, and the Caribbean. On the other hand, the comparative competitive advantage of the United States is shifting to more sophisticated, technology-driven, precision-engineered, and custom-tailored commodities or products manufactured with rapidly changing technology. Firms are implementing more flexible production systems that utilize more flexible employment arrangements.

The Changing Workplace

The decline in U.S. international competitiveness is relative to that of its trading partners. Individual firms or industries may become non-competitive, but an entire country cannot. To improve their international competitiveness, firms and industries are continually adjusting their production and job requirements to reflect consumer demand. Firms go in and out of business, depending upon the degree to which they efficiently meet the demand for their product. Thus the corporate restructuring, leveraged buy-outs, and downsizing, while necessary to keep business competitive, can produce casualties. When the adjustments are pervasive and rapid, because of fundamental technical or structural change, worker displacement may result. There is evidence that in the United States the pace and pervasiveness of long-term structural changes are accelerating. Nonetheless, the U.S. economy continues to have a strong capacity to generate employment.

In the post-recession period, there has been a sharp upturn in U.S. economic activity. Increased productivity as well as lower inflation and interest rates have contributed substantially to improved industrial performance and the sustained economic recovery the United States has experienced since November 1982. While employment in some trade-sensitive manufacturing industries has declined, total output has remained at about 20-21 percent of the Gross National Product (GNP) since the 1970's.

Meanwhile, aggregate U.S. employment has continued to expand, reflecting the continued increase in service sector employment. Although manufacturing output remains an important contributor to the value of GNP, employment expansion underscores the growing dominance of the service sector as employer. Like manufacturing, the service sector is diverse, having both high- and low-wage employment. The service sector includes professional, technical, managerial, and administrative occupations that include high-wage and fast-growing occupations as well as clerical and service occupations that include lower wage and higher wage jobs.

Improving the competitiveness of the U.S. economy relative to its foreign trading partners needs to be a national priority. Lower cost is the operational watchword in international competitiveness. The push for an increased share of international markets is an important driving force behind employer initiated and more flexible labor markets as well as human resource management. Many flexible human resource arrangements have been characterized as peripheral or contingent, reflecting part-time, temporary, and other workers and work arrangements usually associated with secondary labor markets.

The pervasiveness of computer-based technology and telecommunications allows for greater productivity by lowering unit labor costs, if attendant increases in compensation do not outpace overall productivity gains. Thus, superior technology can facilitate the changing workplace as well as the drive for international competitiveness.

In the workplace the organization of work is changing. There is a growing emphasis on teamwork, decentralization, streamlining, and human-resource oriented work. Both workers and firms can be more flexible and mobile, allowing greater options for work-leisure tradeoffs. At the same time, to maintain and gain a larger share of world markets, U.S. firms are beginning to implement a variety of cost-cutting and flexibility strategies, supplementing their "lean staffing" with contingent workers who can move in and out of firms as needed and at a lower cost than permanent workers. Costs can also be lowered by the internationalization of production processes as domestic firms develop off-shore manufacture and service operations.

These options remain controversial to some observers. While the above mentioned cost-cutting strategies are accepted operating procedures by some firms in their drive for competitiveness, other interested groups see contingent work and off-shore production as both a move to undercut the hard-earned benefits of U.S. workers and a move to export U.S. jobs. Thus, the public debate focuses on the potential for a growing sector of unprotected workers, who are likely to have little job security, health/medical and pension benefits, or employee representation.

Indicators That Affect Competitiveness

International competitiveness is comparative and dynamic over time; thus, its indicators vary over time. Indicators that most frequently impact on a firm's ability to compete include relative trends in labor productivity, wage rates, profitability, import penetration ratios, process technologies, and product technologies. Trends in labor productivity and wage rates, determining unit labor costs, are most immediately relevant to discussion of the impact of competition on employment.

Since the 1980-82 recessions, there has been a sharp pickup in U.S. labor productivity in manufacturing, although productivity in the business, nonfarm business, and nonfinancial sectors has not done as well. With the resurgence and restructuring within manufacturing industries, attention is shifting to productivity improvements in the service sector, the source of most of the expansion in employment since November 1982. The products and services produced by these industries are a growing source of U.S. international trading. As with manufacturing, strong labor productivity will be needed to sustain real earnings and a rising standard of living. Yet, consistent measures of productivity in the service sector are difficult to develop.

Economic theory holds that real wages (wages adjusted for inflation) should not rise faster than overall productivity (unless there is a shift in shares between capital and labor) if a rising standard of living is to

be maintained. Today, controversy characterizes the discussion of whether real earnings have declined over the 1973-86 period. Part of the confusion lies in selection of the tools of analysis. Moreover, the 1973-79 period was characterized by sharply rising inflation, while in the post-1980-82 recession period the economic conditions were quite different. Combining these periods can confuse the underlying economic trend.

The Impact of Competition

Responsiveness (flexibility) of the U.S. labor market to changes in the economic variables of unemployment and price has increased since the mid-1970's. A senior research associate at the Conference Board, Richard S. Belous, has noted that real compensation is now at least 20 percent more responsive to changes in economic conditions than in the mid-1970's. While the U.S. labor market is 50 percent less rigid than in Western Europe, it is not as flexible as in Japan.

Educational Attainment and Occupation. The demand for skilled and educated workers is increasing, while the demand for the unskilled continues to decline. The U.S. labor force reflects these increased demands. More than 6 out of 10 U.S. workers have completed some post-high school education or training. Moreover, about 44 percent of all workers completed 1 or more years of college in 1986, up from 29 percent in 1973. The increase in college training has occurred among both younger (25 to 44 years) and older (45 to 64 years) workers.

Similarly, the shift in U.S. competitive advantage is also reflected in the occupational distribution of its workers. The growing employment trend is away from large numbers of low-skilled employees to an increasing number of middle- and upper-level workers needed to sell and develop new products. With the computerization of routine and repetitive jobs, clerical occupations are becoming more skilled as firms seek to customize the service/product to the needs of individual customers. Continuing education and retraining is at the center of worker adaptability to a changing workplace.

In the context of competitiveness, the growth in labor market flexibility, supported by rising educational attainment, suggests the leading edge of a more permanent change in new or nontraditional work arrangements. While the growth in part-time and temporary work may have been largely cyclical in the past, their continued growth, after nearly 5 years of sustained economic recovery, indicates a small--but significant--and more permanent change in work arrangements. The growth of more peripheral or contingent labor force attachment needs more study and monitoring, not only to sort out the tradeoff but also to develop a consistent and ongoing data series.

Employment Level. Since 1973, total nonagricultural payroll employment increased at a slower pace (30 percent, 1973-86) than in the earlier 1960-73 period (40 percent), although posting an impressive 23 million rise in private nonagricultural employment. Of the increase, just about all was posted in the service sector, which now accounts for 75 percent of total nonagricultural jobs, up from 59 percent in 1950.

Dislocated Workers. An outcome of fundamental and pervasive structural change in the U.S. economy is worker displacement because of the closing or moving of a plant or company, slack work, or the abolishment of jobs or entire shifts. While white men account for the majority of adult dislocated workers (57 percent), a significant proportion of women (35 percent) and minorities (11 percent) are also dislocated workers. Moreover, women and minorities are more likely than white men to be dislocated from lower wage and declining trade-sensitive industries, particularly apparel, leather, and other nondurable goods; men are more likely to be dislocated from steel, automobile, and other durable goods industries.

An econometric study commissioned by the Department of Labor's Bureau of International Labor Affairs found that workers displaced from import-sensitive manufacturing industries included a slightly higher share of black and female workers than was true for all workers displaced from manufacturing industries. The study also found that worker dislocation was not necessarily confined to declining industries, occupations, or regions. This suggests (which more recent labor productivity statistics reflect) the introduction of newer technology, restructuring, and downsizing for better productivity and lower unit labor costs to obtain greater global competitiveness.

Off-Shore Employment. Some U.S. firms have adapted to the changing patterns of comparative advantage by integrating production operations across national boundaries. Unskilled assembly is done in low-wage areas, while more highly skilled operations are done in developed countries that have an abundance of skilled labor and technological and scientific resources. By internationalizing, U.S. competitors can take advantage of the abundance of low-wage, unskilled workers in Caribbean Basin, Latin American, and Pacific Rim countries. Some U.S. firms cite high worker productivity and dedication to the job, while the population explosion in newly industrializing nations makes rising wages unlikely.

U.S. firms do the largest amount of foreign assembly because other developed countries have a greater degree of protection against foreign imports. The principal industries are electrical machinery, transportation equipment, and metals; the principal products include semiconductors, textiles, television sets and components, and motor vehicles.

The effect of the internationalization of production on U.S. workers is the trend toward greater investment in human capital (on the part of both employee and employer) in response to the shifting U.S. competitive advantage to more sophisticated and skilled production. A recent study by the Hudson Institute, prepared for the Department of Labor, says the key to domestic economic growth is increased productivity, particularly in the rapidly expanding service industries. It calls for better education and job training for an American workforce that will include more women, minorities, and immigrants.

OFFICE AUTOMATION TECHNOLOGY AND CONTINGENT WORK MODES

By

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In the United States and in most other highly industrialized nations there is a pronounced trend toward greater use of part-time, temporary, and contract workers. The driving forces behind this trend are economic and demographic factors. But technological changes are at least encouraging and facilitating the trend and, with regard to clerical and professional work, may be a major factor. By 1990 it is likely that at least 8 percent of all employees will be temporary workers and another 20 to 24 percent will be working part time.

In the United States the shorthand term for this trend is "lean staffing." Companies plan to keep the minimum workforce necessary (or even somewhat smaller than necessary) to handle their minimum daily workload, and to depend on temporaries and part-timers not only for unexpected peaks but also to handle normal seasonal or cyclical fluctuations. The driving force behind this move is clearly competitive pressure to cut operating costs, especially labor costs.

The automation of office work with computers and telecommunications is not the primary driver of a trend toward greater use of part-time, temporary, contract, home-based, or off-shore clerical workers. The technology does, however, strongly encourage and facilitate this trend, which is strong in most industrialized nations and is most pronounced in industry sectors that have been automating their office work. The capability to rationalize work, depersonalize work monitoring, and allow work to be done at remote sites facilitates contingent work.

Even if temporary and contract workers receive higher wages than permanent employees doing the same work (which is likely to be the case for professionals and the more specialized support workers, but not for lower level clerical workers), temporary and part-time workers are usually a bargain for the employer. This is not so much because secondary labor costs (overhead and benefits) add an estimated 100 to 150 percent to the cost of a permanent employee but because the employer pays only for actual productive work hours.

Another economic factor is the volatility of the economy or, more exactly, the uncertainty that many American firms feel about both the outlook for growth or recession and about the long-range competitive position

of their company or their industry in the global marketplace. In this situation they wish to minimize their obligations--legal, contractual, financial, and social--to a permanent workforce.

In Federal employment this economic pressure is greatly reinforced by political pressure to reduce the Federal workforce and by the position that Government services should be "privatized," or contracted out, to the greatest extent possible. In this case, office automation technology is explicitly viewed as a substitution for labor. The Internal Revenue Service, Census Bureau, Social Security Administration, and other agencies that process huge volumes of data electronically depend heavily on temporary and part-time hires.

On the labor-supply side, demographic trends are clearly important; specifically, the surge of mothers into the workforce. Half of all women with children under 3 years old are working; 60 percent of those with children 3 to 5 years old and 70 percent of those with school-age children are in the labor force. Large numbers of retirees and working students add to the supply of part-time or temporary workers.

The increased number of women seeking work is a global phenomenon, as is the trend toward use of contingent workers. In Japan, where a long-range shortage of labor is anticipated, the number of working women has doubled since 1960; they now make up 35 percent of the workforce. There is still cultural resistance to married women working, and although only 20 percent of them are working part time, they make up 80 percent of the part-time labor pool.

Technology and Contingent Work

If economic pressure and demographic forces are the dominant factors in the trend toward a contingent workforce, technological factors are, nevertheless, clearly important. The technology of office automation strongly encourages and facilitates the shifts.

The sweeping and pervasive automation of office work with computers and telecommunications increasingly affects professional and managerial work as well as clerical work. Clerical occupations, however, account for over 60 percent of assignments in the temporary services industry, which has been growing at an annual rate of about 20 percent in recent years. Part-time work in financial services and retail trade is now growing faster than part-time work in construction, which has traditionally been the leader. The increase in part-time or temporary work in the last 10 years has been greatest in banks, insurance firms, retail trade, and food sales--those industry sectors where computerization of services has proceeded most rapidly.

Historically, automation was assumed to have the opposite effect, that is, to discourage contingent work. By increasing the firm-specificity, task-specificity, and system-specificity of the skills that were required, new technology supposedly forced an employer to invest some specific training in each employee and reduced the hiring of casual untrained labor.

Office automation has gone through three major waves since the late 1950's. "Back-office" functions, the high-volume processing of data, were first automated with large mainframe computers controlled by centralized processing centers. Typically this work is rationalized, simplified, and routinized, and nearly always is associated with computer sequencing of tasks and computer monitoring of performance. This form of computerization of data handling appears to facilitate or encourage the use of contingent workers for a number of reasons:

- When back-office work (the routine processing of standardized data or text) is rationalized and deskilled, investment in training is minimal, and the value of experience and continuity is also minimal.

- Capitalization encourages the addition of night time or weekend shifts or longer hours, often filled by part-timers.

- Computer monitoring depersonalizes supervision and tends to make workers more interchangeable.

- The convergence of systems and the widespread use of some systems reduce the importance of knowing the idiosyncracies of firms.

- When work is depersonalized and standardized, employers are more likely to accept job-sharing and part-time work, or work at unconventional times and locations.

- For high-level work such as specialized computer programming, software development, and systems analysis, employers often seek contract workers whose training is more recent or specialized than that of permanent employees. Contracting may be cheaper than investment in frequent skill upgrading or mid-career retraining for employees.

- Computers and telecommunications have made it feasible and attractive to both employers and employees to shift work to the worker's home.

A similar type of deskilling and rationalizing of work occurs with the use of computer systems at the "front end," the customer end, of retail trade--in food stores, department stores, and other chain store operations. Knowledge about the product, inventory, and prices is embedded in the computer; the salesperson can be less knowledgeable and is often required only to accept merchandise from the would-be buyer and pass it over a magic eye or under a magic wand. Experienced, trained clerks can be replaced over time with less-trained part-time workers.

The custom design, implementation, and maintenance or upgrading of such systems have created many demanding well-paid, specialized jobs. The organization may, however, need these services only sporadically and, thus, contracts them out. In addition, an organization may prefer to use mostly contract or project-duration people in many of these tasks as an alternative to permanent staff, whose skills and knowledge of new technologies would tend to become stale and outmoded over time.

The second wave of office automation began in the mid-1970's with the rapid spread of stand-alone word processors, personal computers, and packaged software. These do not usually supercede, but are added on top of, a large organization's centralized ADP (automatic data processing) operation.

The third wave of office automation, networking, is already well underway. It is not clear whether decentralized or distributed computer capabilities have any significant effect on demand for contingency workers. What is clear, however, is that they did not for long constitute a barrier to the use of temporary and part-time workers, as had been anticipated. The convergence and growing compatibility of small computers, and the emergence of large temporary services companies willing to train their workers, effectively removed the barrier.

One type of contingent work is newly feasible and attractive because of advances in office automation technology--home-based performance of office services, especially data and text entry. About 15,000 people are thought to be using computers in their homes to do "office work." Most are probably professionals who work at home part of the time but whose primary worksite is still the office. Or, they are small entrepreneurs providing supplementary office services to a number of employers on a competitive basis. There may be 3,000 to 5,000 clerical employees for whom home is the primary or only worksite. Most of them work only part time, perhaps 20 to 25 hours a week at most.

Off-Shore Clerical Work

A number of U.S. companies have their data and text entry work done off-shore, that is, in developing countries with low-paid labor. Usually this is a Caribbean country such as Barbados, but the work may be done as far away as India or Hong Kong. In some countries, wage rates are as little as one-tenth of U.S. rates. Some companies have their data processing operations overseas; others use intermediary firms to farm out the work. Workers in the off-shore sites usually use American made word processors or computer work stations. In some cases two or more workers may key the same material with a computer, comparing the two to detect errors. Because wage rates are so low, the employer still finds this cheaper than doing the work in the United States.

Although the volume of off-shore work for American companies is still low, the technology and economic tradeoffs are such that it may increase significantly in the next decade.

Technological Trends That May Limit Contingent Work

There are some emerging technological trends that may limit the spread of contingent work arrangements. A significant decline in the amount of office keyboarding necessary, for example, would reduce the attractiveness of home-based and off-shore work. Such a decline in the volume of keyboarding could come about for a number of reasons:

- Growing capability for direct communication of data from computer to computer, within and between organizations, requiring less re-keyboarding of data.

- Anticipated breakthroughs in the technology of optical scanning, so that computers read data directly from paper.

- A strong trend toward capturing data at the source, for example, machine readable stubs, labels, tickets, and devices that allow customers to key in data to receiving computers such as automated teller machines and some point-of-sale terminals.

- Practical applications of speech recognition technology, so that instructions and data are spoken into computers.

It is important to keep in mind that many future technological developments, such as versatile robots, could reduce the level of employment in the economy without necessarily limiting the growth of contingent work arrangements. On the other hand, a significant increase in contingent work arrangements could result in serious economic and political problems, leading eventually to legal restrictions on such work, or to indirect barriers such as differential taxation or increased regulation. Contingent workers, for example, may compete unfairly with conventional employees by allowing employers to shift some of their operating costs to the worker. Or an unacceptably large proportion of the workforce may be deprived of benefit packages and effective coverage by labor laws designed to protect their health, safety, and economic stability. Either of these problems could ultimately provoke legal or political limitations on contingent work arrangements.

Thus, while technology may encourage and facilitate an ongoing trend, as in the case of office automation, the growth of contingent employment probably depends ultimately on political and social values.

PRODUCTION ORGANIZATION AND WORKTIME: THE EMERGENCE OF A CONTINGENT LABOR MARKET

By

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The on-going transformation of the U.S. economy has had repercussions far beyond a decline in manufacturing jobs and an increase in service employment. What is changing is not just numbers of jobs and their sectoral distribution but the way in which work itself is organized and distributed. Symptomatic of this transformation is a substantial increase in the number of workers whose worktime can be adjusted to short-term changes in product or service demand.

We are witnessing a qualitative transformation of employment, not just a quantitative shift. Research on changes in production organization suggests that the demand for contingent labor has arisen in conjunction with structural changes in the way goods and services are produced. If this is so, then the demand for a more flexible workforce can be expected to be a long-term trend not a cyclical fluctuation.

Since the mid-1970's the proportion of the labor force which is flexible or contingent with respect to short-term fluctuations in product or service demand has increased along with a continuous rise in the number of people employed. This is evidenced by increases in the proportion of the workforce in part-time jobs, the proportion of those part-timers who work involuntarily, and the number of people who hold two jobs. In addition to growth in the part-time workforce, other forms of contingent work have emerged, including a large temporary industry workforce. Also, there has been a substantial increase in the number of self-employed workers, currently numbering 8 million. All of these trends represent strategies to redistribute working time and to utilize the expanded supply of labor available for flexible work hours.

What puzzles many analysts of the contingent workforce is its presence in an advanced industrial economy. Until quite recently the development of a mature industrialized economy was associated with movement toward full-time employment in full-time jobs. According to historical experiences in the post-World War II era and the prevailing theoretical interpretations, firms in an advanced industrial economy organized production so as to take advantage of the economies of scale and scope associated with production for a mass market. As the scale and scope of activities expanded in vertically and horizontally integrated firms, and with investment in mass production technology and in job skills, there was a concomitant demand for regular, full-time workers.

The characteristics of "peripheral workers," as contingent workers were called in the 1960's, further reinforced the prevailing notion that part-time work was a remnant of preindustrial society. Peripheral workers were low skilled and concentrated in particular demographic groups--women and minorities. Their peripheral status was attributed to two major factors: choice of part-time work status as a result of compelling alternatives such as education or family responsibilities and lack of acculturation to the workforce.

To some extent these characterizations were based in fact, since women, the fastest growing group in the part-time workforce at that time, were seeking part-time work to accommodate their family responsibilities. Thus, historical experience shaped ideas of the form of employment expected in an advanced industrial economy. These ideas, in turn, shaped our categories, the way we measure employment. Unemployment, for example, became the measure of economic hardship. Part-time work was considered an insignificant phenomenon, a state attributable to worker preference or supply characteristics.

Reinterpreting the Post-War Experience

Economic events of the past 20 years have made us rethink the mass production model of advanced industrialism and reinterpret the post-war industrial experience. We are now in a position to question many of the employment assumptions associated with mass production models but are severely hampered by data gathering methods and classifications fixed in now-invalid assumptions about production organization. The part-time worker is defined, for example, as an equivalent substitute for the full-time worker who "backs up" the full-timer during peak hours or for short shifts. The way that part-time workers are being used in the contemporary economy, however, suggests a different allocation of labor. Many part-time workers, temporaries, or self-employed contractors are not the equivalents of a full-time workstaff but perform work specifically defined for a contingent or flexible workforce.

To develop analytical categories that more accurately reflect the emerging distribution of worktime, we need to relate that distribution to changes in production organization. Over the past 10 years, continued processes of merger and diversification have increased the concentration and horizontal integration of finance and distribution activities in fewer larger firms which operate across industrial sectors. At the same time, an increasing portion of production inputs are being obtained on the market rather than produced within large firms.

The risks associated with uncertain input costs and production for uncertain markets have been dealt with by: outsourcing or subcontracting particular production activities, just-in-time inventory systems, network subsidiary firms, and flexible or contingent labor strategies. All of these responses attempt to reduce the risks associated with uncertain product and service demand and fluctuating input costs by transferring production transaction to the market where inputs, including labor, can be purchased on an as-needed basis.

Vertical Disintegration and Forms of Contingency

The employer uses contingent labor to make labor input more variable to the production task. Both the task and the time allocated are potentially variable. In the ideal case the employer would make labor inputs completely variable,so it is the contraints on this variability that must be understood in order to interpret recent trends. The constraints include:

- the technical organization of production and the scale and scope of production activities carried out by the firm;
- the social organization of production and particularly the character of labor market institutions;
- labor supply conditions which affect the range of contingent labor options open to employers nationally and in particular labor markets;
- regulations which inhibit the extent to which contingency may be used to reduce the cost of labor, including the cost of reducing the labor force.

With these factors in mind, it is possible to delineate sets of production activities with distinctive patterns of contingent labor deployment.

Internal Labor Market Production in Large Firms

Capital-intensive production requiring firm-specific skills or knowledge has historically taken place in large oligopolistic firms in which transactions occur among integrated levels of the production process. In industries such as automobile manufacture, chemicals, and steel, which are dominated by several large firms that have substantial control over the market for their products, firms are likely to have remained highly integrated at least at the final assembly stage. These firms are characterized by a developed internal labor market and a high degree of unionization, and require a considerable measure of firm-specific knowledge.

Two labor flexibility trends are evident in this type of production. First is a bifurcation of the core assembly labor force into a smaller full-time core workforce and a "permanent" part-time workforce which works without benefits and at lower wages. Second is a trend to subcontract more portions of the production process to employers whose workforce as a whole is more flexible with respect to changes in demand.

Exemplifying this reorganization, employment in the U.S. auto industry declined from 799,000 in 1970 to 723,000 in 1981, a 9 percent drop. In this industry, firms have reorganized work so as to expand each worker's skills and have decreased the size of the "core" workforce through early retirement and attrition.

In contrast with the 1960's, when durable goods manufacturing industries had almost no part-time workers, a bifurcated or two-tiered work system is now evolving, including an involuntary part-time labor force. Involuntary part-timers now comprise 7 percent of the durable goods manufacturing workforce.

Three types of production activities have expanded in conjunction with the broad restructuring of employment toward more service jobs:

- the bureaucratic management of an expanded scope of activity in sales, finance, and distribution, as well as in some types of health services;
- the spin-off of ancillary business services;
- the provision of specialized production inputs.

Contingent labor demand in these three types of production activities is analogous, respectively, to capacity, supplier, and specialized subcontracting.

Finance, Service, and Sales in Large Firms. Production activities carried out by a small number of very large firms which operate in an uncertain and competitive consumer product market frequently involve labor intensive transactions in, for example, sales and health care or financial services. Firms in this category typically decentralize offices or facilities (insurance, banking, airlines, retail) or large clerical support functions. Work in such production activities requires firm-specific knowledge of procedures. The pattern of demand for the goods and services is relatively predictable with daily, weekly, and seasonal peak and slack periods. In this type of production, work has been redistributed between a skeleton or core full-time labor force and a labor force of permanent part-time, on-call, or intermittent workers who work during peak transaction periods. In many of these cases, peak transaction periods can be predicted or anticipated so that a regular part-time workforce with firm-specific skills can be maintained over time.

The labor market power of large firms is significant in their ability to obtain an adequate supply of flexible labor. Many of these firms offer relatively high hourly wages to a portion of their labor force as well as utilize traditionally underemployed minority and female workforces. They are also frequently located in suburban locations which allow them to draw on an educated but less mobile female workforce. They are thus able to attract a supply of workers who accommodate less preferable and lower paid work (or family work) around their work schedules in these industries.

Thus, bifurcation is also occurring in these industries between a smaller skilled workforce (relative to service or sales growth) and a larger permanent part-time workforce that works during peak seasons and hours.

Producer and Support Services in Large and Small Firms. Another set of production activities is characterized by ongoing transactions with individuals or other firms. In these cases it is the pattern of demand that is not predictable. These activities also require core workers who have established relationships with present and potential clients for the firm's services or production inputs. The majority of the workforce has generalized skills such as minimal computer literacy. A relatively low level of industry-specific skills is required to carry out these activities. The key factor which differentiates work distribution in these industries from

that in finance, service, and sales in large firms is that transactions are more routine and the types of skills required are generalized, particularly throughout the female population.

Flexibility in these firms is introduced through the use of part-time or temporary workers with general skills. Large firms in large diverse labor markets with high volumes of transactions will use temporary workers to "even out" unexpected peaks in the workload or to fill in unexpected gaps in the workforce. Small firms in limited labor markets or in a weaker position in a large labor market are more likely to extend the hours of full-time or permanent part-time workers to meet unexpected fluctuations in demand or vacancies.

Project-Oriented Independent Contractor Production. The final set of production activities is particularly distinguished by its ephemeral character. These activities include those such as publishing, advertising, sports, entertainment, and news gathering which are carried out by teams of specialists who work together only for the duration of a particular production project. This type of production requires a highly localized labor force. The need for firm- or industry-specific knowledge is low, while the need for highly personal or specialized skills, such as in advertising, publishing, or entertainment--and connection with a combined social-economic network--is very high. These are the ultimately flexible firms in which people are brought together to produce only one component or product.

Independent contractors are an important source of highly skilled professional workers for industries needing short-term specialized services. They are prevalent in electronics, chemicals, and business services and among a set of professional occupations, including graphic design, engineering, technical writing, systems analysis, and programming. These occupations have some common characteristics that make them amenable to independent contracting. They are highly skilled but their skills are not industry specific. They can move across industry boundaries with relative ease. At the same time, they frequently work on projects that are non-routine and carried out within a definite timeframe.

At the other end of the spectrum are production activities in industries such as apparel or electronics which use low-skilled labor to complete one-time orders.

Conclusion

Recent shifts in labor demand and in the allocation of worktime are, instead, a direct consequence of changes in the ways in which goods and services are produced. Although contingent labor represents a cost-minimization strategy in some industries, it is attributable to a widespread tendency toward vertical disintegration of production. The single most important pattern that emerges from the full range of labor deployment strategies is that in which an increasingly small core of workers is hired permanently, and part-time, temporary, or contract workers are used on an as-needed basis.

Section III
VARIANTS OF CONTINGENT WORK

PART-TIME EMPLOYMENT:
CROSSCURRENTS OF CHANGE

By

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At a quick glance part-time jobs and the people who hold them appear quite similar to those of a decade or two ago. The vast majority of part-time workers have chosen to be on reduced schedules, and their employment is heavily concentrated in the service sector. Typically women, part-time workers often must settle for jobs that offer low hourly wages, monotonous tasks, few or no benefits, and little opportunity for training or advancement. But despite the apparent constancy of these characterizations, some undercurrents of change appear to be transforming the landscape of part-time employment and the way it is conceived and used by both employers and employees.

Companies and workers are forging new relationships to meet the fast-paced change in today's work environment. In the process, employers are attempting to reconcile conflicting strategies: those designed primarily to control labor costs, those intended to "distance" workers from their employers, and those aimed at responding to and encouraging the human qualities of their human resources. While it is certain that new work alternatives are emerging in these crosscurrents of change, it is not yet clear whether part-time employment will benefit or suffer from these developments.

The Parameters of Part-Time Employment

In 1985 the Bureau of Labor Statistics recorded 20.1 million persons in the part-time labor force, of whom 18.6 million were employed. These figures include: persons employed on voluntary part-time schedules (14.7 million), economic part-time workers who usually work part time (3.9 million), and persons looking for part-time work (1.5 million). An additional 1.7 million persons on part-time schedules due to slack work were considered part of the full-time labor force.

Until 1986 all individuals on part-time schedules "for economic reasons" were counted in the full-time labor force. But recent analyses by economists show that persons who experience cutbacks in their weekly hours due to low demand are quite different from individuals who are compelled to work part time because they lack the necessary skills or experience for current full-time job openings. Unlike employees affected by temporary

periods of slack work who can generally expect to return to their full-time jobs when business conditions improve, the underskilled and underemployed are casualties of longer term, structural changes. Their prospects for full-time work are less likely to be tied to cyclical movements in the economy.

Other differences are also evident. Involuntary part-timers who continue to be counted as part of the full-time labor force are predominantly males over age 25 working in blue-collar occupations and located in goods-producing industries. Somewhat under half of them work between 30 and 34 hours a week. On the other hand, the partially unemployed who usually have short workweeks because they are unable to find full-time jobs are predominantly women with sales, service, and clerical positions in retail trade and in service industries--traits that are also characteristic of the voluntary part-time labor force. The vast majority spend fewer than 30 hours a week on the job.

Patterns of Part-Time Jobs and Jobholders

Part-time employment has grown much faster than the total labor force since the late 1960's, although its pace has subsided since the 1981-82 recession. In 1968, 10.6 million part-time workers accounted for 14 percent of all civilian employees. By 1975 that proportion had grown to 16.6 percent, and by 1985 to 17.4 percent. Much of the growth can be attributed to the disturbing rise in the number of persons usually working part time involuntarily, while the increase in voluntary part-time employment has been much less pronounced.

Major Characteristics. Most part-time jobs are in the service sector--in finance, business and health services, and in retail trade (especially food stores and eating and drinking places)--where the typical jobholders are sales clerks, bank tellers, typists and other office support, and service workers. Relatively few precision production, craft, and operator jobs, as well as executive and managerial positions, are available on a part-time basis. However, approximately 1.6 million persons with professional specialties (13 percent of the occupational group) are employed on voluntary part-time schedules.

Close to 7 out of 10 part-timers are women, the majority of whom are married. While most working women hold full-time jobs, the incidence of part-time employment is typically related to family responsibilities. Part-time work is also significant among teenagers and older persons (65 and over)--more than half of the persons in each of these age groups are employed less than full time.

Not surprisingly, 80 percent of all part-time jobs pay hourly wages at rates considerably below those for full-time jobs. Among men with part-time jobs earning hourly wages in 1984, median rates were half the level of those for full-time employees. The differential in wage rates between full- and part-time schedules for women was considerably smaller,

probably because few women hold well-paid jobs at hourly rates no matter what schedules they work. On the other hand, wage rates for women part-timers were slightly better than those for men, a factor that may be attributed to the higher proportion of men on involuntary part-time schedules.

Benefits Available. The prevalence of benefits presents a generally discouraging picture. Although ERISA (the Employee Retirement Income Security Act of 1974) provisions protect some part-timers, a Census Bureau study found that only 1 in 10 civilian employees working part-time was covered by an employer- or union-sponsored pension plan, compared with half of all full-time employees. Part-timer coverage in group health plans was even more limited--only 1 in 15 had such coverage. A survey of employers released in 1985 by Hewitt Associates reported a more positive situation, but the sample did not include very small businesses--the source of most jobs--that typically provide fewer benefits. According to the Hewitt study, paid holidays and vacations were available to at least 75 percent of employees working 20 hours or more a week; medical, dental, and life insurance coverage, as well as paid sick leave, were extended to between 40 and 50 percent of this group.

A provision of the new tax law may extend health insurance coverage to more of the part-time employed. When effective in 1988, the law will prohibit employers from discriminating in favor of highly paid employees when offering health benefits. Companies will have to either offer similar benefits to all their employees (including part-time workers) or require higher paid employees to count these extra benefits as part of their taxable income. As with pensions, however, the law does not require employers to make such benefits available to any employees if no benefits are currently provided.

Changing Concepts and Perspectives

Some developments in the economy suggest that concepts about part-time employment may be changing. A purely statistical examination of the part-time component of the workforce, however, may not be able to capture the more subtle changes that are occurring in work affiliations.

The Work Environment. The rapid pace of change in the work environment is driven in part by the radical rearrangement of workforce demographics that has taken place over the past several decades, as evidenced by:

- the increase in female labor force participation;
- the growing diversity in family structure and lifestyles (as evidenced, in particular, by the rising number of dual-earner and single-parent households);
- the downward shift in the age distribution of the working population during the 1960's and 1970's, now followed by a tightening of the labor market as the "baby boom" generation moves into middle age.

As these shifts have occurred, perceptions of work, family, and leisure, and the ways they relate to--and often conflict with--each other,

have also taken on greater importance for employers and employees alike. The expectations, lifestyles, and household circumstances of employees are prompting significant modifications in traditional employer-employee relationships.

At the same time, pressures on corporate profitability resulting from structural, technological, and cyclical changes in the economy are adding to the upheaval. Mergers, acquisitions, divestitures, and downsizing are radically altering the organizational composition and structure of the corporate world. Deregulation has created a new and unfamiliar climate for the communications, financial, and transportation industries. And foreign competition is making inroads throughout the economy. These forces, combined with new configurations in the demographic landscape, are compelling employers to develop new strategies for managing their human resources in order to control labor costs and assure managerial flexibility.

New Concepts of Part-Time Work. New approaches to human resource management involve both formal and informal actions. The increased flexibility of managers in implementing personnel policies and guidelines has led to accommodations for individual employees in work scheduling. They include a significant number of part-time arrangements for current full-time employees who need temporary reductions in worktime, for example, women returning from maternity leaves, and employees training for new careers or enhancing present skills.

At the same time, a number of programmatic initiatives have appeared at the workplace which are expanding the part-time concept and helping to raise the status of what have traditionally been considered second-rate jobs. Among them:

- Work sharing--an alternative to layoffs that allows companies to keep their workforces intact by temporarily reducing the number of hours worked per week.

- Voluntary reduced worktime programs--a time-income tradeoff allowing employees to reduce work hours for specified periods of time with commensurate reductions in pay.

- Job sharing--an arrangement in which two people share the responsibilities of one full-time job, with salary and benefits prorated.

- Phased retirement programs--a reduced worktime option that allows senior employees to gradually make the transition from work to retirement by offering reduced workweek schedules or extended vacations in the last few years before retirement.

Employer and Employee Perspectives. Organizations have differing views on part-time work. As a broad generalization it would appear that employers think of most part-timers as temporary occupants of their jobs--or consider the scheduling arrangements as temporary solutions for particular employees.

Companies that depend on sizable numbers of part-time employers--retailers and banks, for example--are likely to look upon these individuals

as exterior to their full-time, core workforces. As a result few benefits are available to part-timers in these settings, although some firms may provide merchandise discounts or better rates of pay to help offset this disadvantage. On the other hand, firms with relatively few part-timers can afford to include them under the umbrella of protections available to other workers. This is particularly true of professional part-time employees, whose privileged status in the firm usually affords them the full range of benefits--though on a prorated basis.

From the employer's perspective, the advantages of part-time work most frequently described are cost related: labor costs are reduced because fewer hours are worked, hours can be tailored to periods of high demand, and employee benefits are more restricted. In addition, stressful work environments or repetitive tasks may be ill-suited for full-time assignments that would lead to employee burnout or carelessness. Providing part-time job opportunities can also give companies access to segments of the labor market that may have been previously unavailable to them and allows them to retain skilled employees needing nonstandard hours.

Reduced work schedule programs that provide more "permanent" forms of part-time employment have special justifications: work sharing helps to spread employment among more people during recession periods; phasing retirement provides a means for transferring skills and information from older, experienced employees to younger workers; and job sharing and voluntary reduced worktime programs are often intended to accommodate valued employees who have nonwork demands on their time.

Employees see pluses and minuses in part-time work. On the positive side, reduced worktime schedules enable working parents to maintain job skills while managing family responsibilities, provide opportunities for older persons to remain active without being fully engaged in demanding positions, and allow workers time for other pursuits. Some persons see part-time work as a way to gradually reenter the labor market. For many, the time-income tradeoff is acceptable and sought after. Part-time work carries severe penalties for others, however--even for those who choose reduced worktime schedules voluntarily. The poor pay and benefits, irregular hours, dead-end jobs, and limited job security put part-timers outside the mainstream of business activity; they are perceived as employees who have little commitment to their work and for whom employers feel little obligation beyond their marginal employment and compensation.

A Mixed Bag for the Future

Many of the changes taking place are favorable for continued growth in part-time employment, although not all new reduced-time jobs will provide the status, pay, or security desired or expected by individuals needing such schedules. Trends favoring more part-time jobs include:

- Expected strong growth in the service sector over the next decade;
- Increased automation at the workplace;
- A slowdown in the number of new entrants to the workforce;
- Greater acceptance of part-time work in a variety of settings;
- More widespread use of "nonemployee" work forms, such as temporary services, independent contractors, and leasing arrangements.

THE TEMPORARY HELP INDUSTRY: FILLING THE NEEDS OF WORKERS AND BUSINESS

By

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The temporary help industry is a support mechanism for the permanent workforce, used to supplement permanent staff. The tremendous growth in the industry, therefore, is tied closely to growth in the permanent workforce. The permanent workforce has grown steadily since 1970, with the exception of the 1975 and 1981 recessions. During those down periods the size of the temporary help industry diminished in direct relation to the total workforce. The current strong economic picture is directly related to the industry's growth.

Positive economic influences are not the only reasons for growth in the temporary help industry. There are sociological, demographic, and technological factors working also to influence growth. The trend among businesses today is toward greater workforce flexibility, and the planned use of temporary help is seen as an important tool for achieving that goal.

The number of workers who desire flexible schedules--the largest segment of that group being married women with children--is growing. This demographic group shows the largest increase in labor force participation in the past decade, and growing numbers of mothers turn to temporary work as their best employment option.

During the past 5 years there have been rapid, radical changes in the workplace that require new skills, and business has turned to temporary help firms to provide workers with those skills. If the industry had not met the needs of significant numbers of workers and businesses, it could not have grown as rapidly as it has.

While the number of workers registered with temporary help firms is increasing, the industry employs less than 1 percent of the total U.S. workforce. Sometimes the words "temporary help" are used by people outside the industry to describe contract workers, part-time employees, leased employees, or people who work in corporate-run temporary help pools. However, these categories of workers are completely separate from the industry.

Temporary Work Is Right for a Variety of People

Every day more than 800,000 American jobs are filled by temporary workers. Before looking at how temporary employment meets the needs of these workers, it is important to understand who they are.

Temporary work suits workers who need flexibility in their schedules. This group includes working parents, workers caring for aging parents, retirees who want to stay active, people who want supplemental income but not permanent work, and people who want to work but also want free time for travel and hobbies. Often these workers consider themselves "career" temporaries. They turn down offers of permanent work because they are unwilling to lose the benefit of controlling their own work schedules.

Temporary work meets the needs of workers who want to stay in touch with the business world and who are supporting other careers, such as artists, authors, actors, musicians, and entrepreneurs. Students and teachers also seek temporary work as a source of extra money during their school breaks.

A third group of workers who find that temporary employment is a good option are those seeking permanent jobs, including recent graduates, people who are reentering the workforce, and workers who are between jobs or have relocated.

Temporary Work Meets the Needs of an Increasing Number of Workers

Temporary workers set their own schedules, the number and frequency of hours worked, the companies they work in, and the type of work performed. They have the option to turn down any assignment.

Temporary help firms offer workers opportunities for training in new skills and for fine-tuning the skills they already have. Many temporary help firms also provide training programs and strongly encourage their employees to take advantage of them. For example, Manpower has developed a highly successful training program, recognized by the training community and equipment manufacturers, that has trained more than 120,000 workers in office automation skills. Manpower's diskette-based training method called Skillware teaches computer skills quickly and efficiently. Trainees learn directly on the equipment they use on assignment; they gain highly marketable skills as well as new confidence in their ability to perform in today's workplace.

Temporary work offers the potential for almost immediate employment at competitive wages, without time-consuming job searches or agency fees. Since the workers are employees of the temporary help firm, they experience a sense of identification with an employer and feel that they have a place in the workforce. Firms recognize the importance of establishing good employer/employee relationships. The service representatives who staff Manpower offices, for example, work to establish such relationships and maintain contact with employees while they are on assignment.

Workers registering with a temporary help firm are interviewed and tested to identify their strong points, preferences, and the kind of business atmosphere in which they would be most comfortable. The workers are carefully matched to assignments that allow them to use and sharpen their skills and pursue their interests.

The diversity of temporary employment is attractive to many workers. Depending on skills and preferences, temporary employees may work in a wide range of positions and a variety of businesses: banks, insurance companies, government agencies, manufacturing plants, schools, and more. In recent years office automation has increased the skill level required for many temporary assignments. Customers often request workers to operate sophisticated, multifunction computer workstations.

People who are interested in permanent employment can use temporary work to explore local job markets, make valuable contacts, and showcase their skills. Workers who are between jobs can earn a paycheck while planning career moves.

An increasing number of temporary help firms offer fringe benefits to their employees. For example, Manpower offers a comprehensive set of benefits to meet the needs of workers who are with the company for an extended period. Benefits include vacation pay, paid holidays, group health and life insurance, and bonuses for referrals as well as incentives for top performers.

Temporary Help Meets the Needs of Businesses

Businesses use temporary workers to help weather seasonal or cyclical surges in business, maintain workflow, and ease stress on permanent staff.

Because temporary workers are employees of temporary help firms, customer companies avoid the expense of adding them to and later dropping them from the payroll. Temporary help firms handle all paperwork associated with their workers' employment, including payroll; withholding taxes; and employer contributions to social security, workers' compensation, and unemployment insurance. Customer companies also avoid the costs of recruiting, hiring, and training workers for short-term work, as well as the trauma of layoffs.

Businesses' needs for short-term help are not limited to peak seasons. Temporary help can ease the crunch during times of transition; when workers are absent due to illness, leaves, and vacations; or during special one-time projects.

A business may also make a permanent job hiring decision after verifying the need for a permanent worker through the use of temporary help. In some instances the permanent position may be offered to the temporary worker, who may or may not accept. But more commonly, after the need for a permanent position is evident, the business will move to the permanent labor market to fill the position. It has been Manpower's experience that short-term temporary assignments often end when a permanent employee is hired for the same work.

Office automation has affected the temporary help needs of businesses in important ways. Because businesses have made considerable investments in automated equipment, it can be costly to leave equipment down when regular employees are absent. Temporary help keeps the equipment running and productive.

Automated equipment for offices is constantly updated, and businesses often need to upgrade their systems. During this time of transition, temporary workers can get the new equipment operating right away and cover for permanent staff who are being trained. Temporary employees can also serve as a resource for permanent workers learning to deal with office automation. For example, because Manpower keeps on top of developments in office technology and provides training accordingly, its workers possess skills that do not exist yet in the permanent workforce. Permanent workers benefit from the expertise of trained temporary employees.

Where Is the Temporary Help Industry Going?

Office automation training programs have become a necessity in the temporary help industry because the only product is skilled workers. Accordingly, temporary help firms have become a major source of supply of workers with sophisticated automation skills. This trend, which has developed strongly over the past 5 years or so, is expected to continue.

The temporary help industry, therefore, will continue to play a major role in easing the labor shortages that are predicted to last into the next century. It will continue to draw people into the labor market and provide staffing alternatives for customer companies.

TEMPORARY HELP IS BECOMING A PERMANENT SOLUTION

By

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Replacement of permanent workers with temporary workers provides a sure way for employers to cut labor costs. Questions arise, however, in examining the new temporary force phenomenon. Policy questions stem from evidence that greater inequality in earnings, protections, and job security are associated with the large numbers of women at the bottom of the labor force ladder who work in temporary and part-time jobs.

Today a company that lacks a built-in budgetary line item for temporaries may be the exception rather than the rule. Faced with fast-paced changes in office technology, swift reorganization occurring in the internal labor markets of many large companies, and frequent uncertainty about future growth, employers have looked to female, minority, and young workers for the temporary help which will support payroll economies.

Long-term information is unavailable on the efficiency of a national labor market organized in three levels: primary or core workers, secondary or part-time and part-year workers, and the new tertiary level composed of temporary workers. Is it advantageous or not for a large proportion of the labor force to be tertiary? Is it economic over the long term for employers? What are the social consequences of maintaining a class of differently entitled workers? What does it mean to the public budget?

The Temporary Help Service Industry

The best available source of information on temporary workers comes from examination of businesses in the temporary supply industry. These firms supply temporary help to other employers on a contractual basis. The workers supplied are employees of the temporary help firms, not of the organization they are assigned to. Omitted from these estimates, however, are those small and very large employers that directly hire their temporaries.

Distinctions between part-time workers and temporaries are difficult to make. Providers in the temporary help service industry are beginning to supply workers for relatively long full-time/part-year contract needs and even for full-time work among consortia of customers.

The general distinctions between temporary and part-time workers are set forth below.

- Temporary employees are not regular employees of the organization. They do irregular, seasonal, or on-call work, and may work full-time for limited periods. Usually they do not have paid sick leave, holiday pay, paid vacation, medical or other insurance. They are employed on an hourly basis.

- Part-time employees work for less than 35 hours a week (the unofficial and continuing boundary between full- and part-time work since 1947). They often work a regular number of hours a week. Their rates of pay and benefits are usually proportional to the pay and benefits that full-time workers get, prorated by the number of hours worked, but they seldom are entitled to special company benefits or retirement plans and, as a rule, are not considered for training or promotion. Some part-time jobs are on a monthly or longer basis; some are for an indefinite period and are considered permanent part-time jobs.

The industry is booming with a 1985 sales volume of temporary help amounting to almost $6.4 billion. Its 7,750 companies in early 1985 more than doubled the 3,690 companies of early 1978. The number of employees grew from 340,000 in 1978 to 695,000 in 1985, an increase of 104 percent. For the two years between 1982 and 1984 the number of employees rose 70 percent, making the industry in that period the fastest growing among all industries with employment over 50,000. This expansion slowed down in 1985 with the addition of only 60,000 jobs. A moderate growth projection developed by the Bureau of Labor Statistics for the temporary help industry shows an average 5 percent increase a year between 1984 and 1995, almost 1 percent faster than for business services as a whole, and almost 4 percent faster than the growth rate for all industries.

How Many Temporary Employees Are There?

The Bureau of Labor Statistics reports that in October 1986, 835,000 workers were employed by temporary help service firms, representing less than 1 percent of nonagricultural wage and salary employment. This is up from the 689,000 jobs in the industry in 1985. The Current Population Survey, May 1985 Supplement, found that 455,000 workers "view their jobs as temporary."

Employers and individuals often deal directly with each other, however, and their arrangements do not show up in the statistics of temporary help firms. Federal hiring is no doubt the largest single component of the direct hire method, with 300,000 temporaries working in executive departments in early 1986. But the major companies often have their own in-house temporary services units. Most employers, especially small businesses, have lists of people for on-call work.

The temporary help industry is composed of four major segments--clerical, industrial, technical, and medical. Based on estimates of Office Specialists for 1985, percentages of employment by occupational segment are: clerical, 63; technical, 10; industrial, 16, and medical, 11 percent.

Who Are the Temporary Workers?

Like part-time workers, hourly paid workers, and moonlighters, the largest number of temporary workers by far are women. In May 1985 women accounted for almost two-thirds of the temporary workforce, in contrast to women's 44 percent presence in all wage and salary jobs (permanent, part time, and temporary). One of three temporary jobs was filled by a young person (age 16 to 24), but 58 percent of temporaries were 25 to 54 years old--the years when child care responsibilities are heaviest. Almost 10 percent were over age 55. Twenty percent of temporaries are black, nearly twice the proportion found in all industries, and it is the high proportion of black men who account for the difference.

The majority (60 percent) of temporary employees work full time. Women are somewhat less likely than men to work full time, but it depends on their marital status. Almost two-thirds of single women work full time compared with about half of married women with spouses present.

Sex segregation is widespread in temporary employment. In the largest occupational segment--clerical--90 percent of the jobs are filled by women. In the next largest segment, industrial, 90 percent of the workers are male. These occupations differ also in duration of assignment, in skill and pay levels, and in racial composition. Demand for clericals is less cyclical than demand in other occupations, and clerical temporaries are likely to work full time, as did two-thirds of them in 1985. Assignments may run for weeks or months.

Industrial workers--helpers, handlers, laborers, equipment cleaners, operators, fabricators--tend to have seasonal or cyclical jobs and are fill-ins for work overloads or for full-timers who are sick or on vacation. Only 55 percent of them worked full time in May 1985. Skill requirements for many clerical positions are relatively low but not for word processing, and those workers are better paid than others. A large number of industrial jobs take little work experience and are low skill, low paying laborer work. Black men are much more likely than white men to be employed in these jobs.

Specific data are not available to determine the number of voluntary and involuntary temporary workers. The majority of involuntary part-timers who usually work full time are men. In contrast, most who usually work part time (voluntarily or involuntarily) are women.

Costs and Benefits

Employers weigh the costs of using temporary help firms or their own in-house lists against the costs of hiring permanent part-timers or regular full-timers. Temporary help firms have full responsibility as the employer, even though the employee is working at the customer's place of business. They hire and fire, issue paychecks, withhold payroll taxes, and contribute to unemployment insurance, social security, and in some States, workers' compensation. They are subject to equal opportunity and health and safety laws. Leasing, a special temporary arrangement, is tied

to its customer in a peculiar way. If a leasing company became unable to meet its obligations, the customer--as a former employer of the leased worker--could be liable for payroll withholding, unemployment insurance, and workers' compensation.

Rates of pay vary for temporary workers. For clericals, they appear to run from $7 to $10 an hour, depending on skill. In August 1985, BLS estimated that temporary workers earned $6.35 an hour compared with an all-industry wage of $8.54 and, for service workers, $7.87.

Company mergers and acquisitions have generated part of the demand for temporary workers. Costs have to be cut to pay off the leveraged loans used. A core workforce is retained with good pay and good fringes, but it has to be composed of people who are hard to replace and who can handle a variety of functions as staffs and functions are consolidated. Far outside of that core are the peripheral temporaries.

Introduction of office technology also has fueled the demand for temporaries by replacing manual work with computers and by using technologically skilled temporaries to train permanent staff in operating new equipment.

INDEPENDENT CONTRACTING

By

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Popular terms for independent contractors include freelancers, consultants, homeworkers, and telecommuters. At root, however, independent contracting involves the externalization of the worker from employee rolls, resulting in the worker being hired on a self-employed contracted basis for a finite amount of work and typically paid by the task, a piece-rate, or an hourly fee. Independent contractors along with part-time, temporary, and leased workers comprise the contingent workforce.

Independent contracting--along with other forms of contingent work--signals a profound and far-reaching change in how Americans work. Unless adequately addressed, independent contracting and other forms of contingent work may lead to dramatic changes in the organization of work and to the inadequacy of wages and compensation for workers already marginal in today's economy.

Data Collection Problems

It is unclear exactly how many independent contractors exist. Part of the difficulty in enumeration relates to the definition--who exactly is an independent contractor? Tied to the definitional issues are limitations in data collection procedures by Federal agencies. Neither the Internal Revenue Service (IRS) nor the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor collects publicly available data on contractors.

BLS collects employment figures on three groups: self-employed, wage and salary earners (private and government), and unpaid family workers. Independent contractors are technically self-employed and would fall under that category. But BLS does not use the term and points out that it would be presumptuous to read the self-employment statistics as indicative of the number of independent contractors.

IRS, although concerned with independent contracting for tax purposes, also does not have publicly available data on these workers. In mid-1986, however, the IRS initiated a strategic initiative to examine employment taxes. The research, expected to be completed in December 1987, would begin to assess how large a problem independent contracting presents for this country. The IRS hopes to discover which industries most commonly use independent contractors, how many contractors they hire, how much these workers actually earn, and their incidence of nonreported income.

Definitional Problems

For Federal tax purposes the IRS relies on common law in determining who is an employee and draws on a substantial body of case law under the Internal Revenue Code which supports that practice. The Department of Labor, under the Fair Labor Standards Act, does not rely on common law, as the courts have made it clear that the employment relationship is broader than the traditional common law concept would allow. In effect, under FLSA a worker is an employee if she/he maintains an employee-like relationship with her/his employer.

Generally, a worker is an independent contractor so long as she or he exercises control over the pacing, execution, and timing of work; has the opportunity to gain or to suffer losses from her/his work; has made an investment in equipment or capital to accomplish the task; has a skill level which allows her/his competitiveness in the marketplace; and is not in an enduring or permanent relationship with the "employer."

The corollary holds true: if the worker experiences little control over work hours and priority or pacing of work; has no opportunity to gain or lose; uses materials, tools, or equipment from the employing organization; and has an ongoing relationship with the company then she or he is entitled to the rights and protection accorded by law to company employees. These include the employer's contribution to the employee's social security account and to unemployment and workers' compensation coverage, and the employee's full right of appeal for discrimination on the grounds of race or sex.

The law, however, provides many outs for an employer who wants to hire a worker as a contractor, not an employee. The tax code was amended in 1978 by a "safe-haven" clause which exempts employers from having to hire workers as employees even if the worker has the status of an employee according to the common law concept. The 1986 tax law removed the safe-haven provision of the 1978 tax law such that now computer specialists who meet the common law rules regarding employee status must be recompensed as employees not as contractors. In addition, the Congressional Subcommittee on Employment and Housing called for elimination of parts of the safe-haven clause in its 1986 report on clerical homework. Based on research and a pending court case, the subcommittee concluded that there was fraudulent use of independent contracting that was leading to financial exploitation of home-based clerical workers. These clerical workers were being expected to perform as employees but were not being recompensed for such.

Financial Implications of Contracting Versus Employee Status

Full-time employees typically receive salaries, some job security, opportunities for on-the-job training and promotion, company health and pension benefits, and Federal coverage under workers' compensation and unemployment insurance. In addition, employees pay only 7.15 percent of their income toward their social security account. Independent contractors have virtually none of the benefits awarded employees. As self-employed workers, they are paid only for the work they produce and not

for any lag time between projects. They are given no annual guarantee of money comparable to an annual salary and are entirely outside of their company when it comes to consideration for skill upgrading, promotion, or other forms of advancement. They receive no health or pension coverage, nor are they accorded Federal protections in the event they are hurt on the job or their work is terminated. Furthermore, the self-employed contractor has to pay the Self-Employment Contributor Act (SECA) tax of 12.3 percent rather than the 7.15 percent Federal Insurance Contributions Act (FICA) tax paid toward social security by a company employee.

Some contractors are well served--both in the short and long term--by this financial situation, while others can be severely disadvantaged by the arrangement. Exactly how they fare depends on a number of conditions.

Winners and Losers

Independent contractors vary on several dimensions, including the degree of choice they have in making the decision to be contractors versus employees; the number of contracts they negotiate; and the location at which they do their work, whether it is an on-site location at the company or is off-site in the worker's home or in a foreign country.

Choice: Voluntary vs. Involuntary. Independent contractors vary as to whether their choice was a voluntary one in which they self-consciously chose to be self-employed or whether it was an involuntary one, forced by inadequate alternatives in the marketplace. Voluntary contractors prefer self-employment. Involuntary contractors would prefer to be employed but take contracting work because they see no option for employment that meets their needs.

Involuntary contractors often come from marginal economic groups which have limited leverage or opportunity in the marketplace. These include mothers with low-wage earning skills, the elderly, the handicapped, and women reentering the labor force after years out to raise their children. A relatively new marginal group includes men in their late 40's and 50's who are terminated or prematurely retired and who face limited opportunities for other employee-like positions.

In contrast to the unknown numbers of involuntary contractors, there are countless others pursuing the arrangement voluntarily. These business owners typically are workers whose skills are in high demand; who can charge more on a contracting basis than they could earn from a salary; and who want more autonomy, control, and flexibility in their work than they could have as conventional 9 to 5 employees.

The differences between involuntary and voluntary contractors are ones of self-image, confidence, and alternatives. Voluntary contractors are self-consciously self-employed and are likely to take full tax advantage of their status, while involuntary ones who work for only one company typically do not.

Single vs. Multiple Contracts. In principle, an independent contractor has to have control and opportunity for profit or loss in order to be a genuine independent contractor. She or he typically accomplishes this by having multiple contracts with different companies over a period of time. An involuntary contractor who prefers to be an employee often has one ongoing contract with one company and depends on the work from that company as the sole source of income.

Location of Work. On-site involuntary contractors would prefer employee status and include the growing number of adjunct professors who travel from campus to campus to piece together an income equivalent to one full-time job. They also include researchers in the publishing industry who are expected to be in the office every day, yet are hired as contractors. On-site voluntary contractors are often those self-employed people, who, by the trouble-shooting nature of their businesses, have to go to where the work is. These include the highly skilled systems analyst who needs to be on-site to diagnose and solve a problem, as well as the accountant hired for a short-term project at tax time.

Off-site contractors are those who work someplace other than the worksite of the employing organization. These off-site locations can include the workers' homes as well as locations off-shore from the United States.

Some involuntary home-based clerical contractors are financially penalized by their status compared with office employees or business owners doing comparable work. In a small survey sample, it was found that involuntary home-based clerical contractors earned slightly over $7 an hour compared with voluntary home-based counterparts who saw themselves in business and who earned over $17 an hour. These same types of involuntary home-based contractors often earn less than their office-based colleagues doing the same work. An insurance company programmer earned $25,000 plus benefits as a salaried employee, but earned less than $7,000 without benefits as a home-based programmer for the same company. The difference was due to the fact that the company switched her status from an employee to a contractor when she switched her location of work.

Increasing numbers of firms are contracting, particularly their data entry work, to firms and workers located off-shore. A 1985 Office of Technology Assessment report on office automation estimated that 12 U.S. firms transferred their work off-shore to the Caribbean, hiring approximately 2,300 workers. Others estimate that the number of companies engaged in the contracting of work off-shore is much greater.

Advantages and Disadvantages to Employers

The advantages to employers vary according to the type of work they contract out and the type of worker they are interested in having as a contractor rather than an employee:

- Cost savings, primarily in the reduction of labor costs. The employer can save 30 to 40 percent on contractors. Even if the contractor is paid on a higher hourly rate than she or he would be paid as an employee, the savings on benefits and taxes generally offset these increased wage costs.

- Attraction or retention of highly skilled workers who have no interest in being employees. These are voluntary contractors who want more autonomy, flexibility, and money than they could earn as conventional employees drawing salaries.

- Company's enhanced ability to contract, expand, and redeploy its labor force as demand necessitates. This ability has the secondary advantage of buffering core salaried employees against layoff.

- Getting a workforce in rural areas where people are anxious to do home-based contract work in order to avoid long or impossible commutes.

There are two major disadvantages of a contracted workforce: decreased loyalty and reduced control over quality of work.

Since the contractor is never fully brought into the organizational culture and never socialized to identify strongly with the company, the perception by some companies is that decreased loyalty will result in workers who "won't go the extra mile" and whose productivity, although acceptable, will not be remarkable.

The second disadvantage has to do with the potential lack of or limited control over the quality of work. Contractors are unknown quantities and the companies may be gambling with quality of the product if they have not seen the contractors perform over a period of time in a variety of situations.

Conclusions

Independent contracting is a staffing arrangement that is pursued for different reasons by employers and is sought or accepted for different reasons by workers. Some contracting practices appear to be fraudulent and must be seen as no more than a ruse to avoid paying the higher wage and compensation costs that would have to be paid to employees. Other practices appear more in the spirit of common law concepts and are pursued as a way to contract, expand, and deploy a company's workforce to respond to competition and demand.

The language we use regarding independent contracting should begin to be coterminous with the multiple arrangements covered by it--particularly for involuntary contractors. A woman doing clerical piecework at home, with no option of being hired as an employee although expected to perform as one, should not be euphemistically defined away as a telecommuter. A 60-year-old man terminated from his job after 35 years should not be glibly referred to as an entrepreneur or a freelance consultant. On the other hand, a person with multiple clients and the autonomy to charge according to prevailing market rates and who assumes the financial risk of her/his employment status could be such an entrepreneur or freelancer.

EMPLOYEE LEASING

By

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Employee leasing, as a method for employers to meet their general staffing needs, is a relatively new and amorphous phenomenon said by its advocates to offer major advantages to both employers and employees when compared with traditional employment relationships. Critics, however, question whether leasing firms are able to deliver their promised advantages, and charge that the concept undermines the basic employee-employer relationship.

Essentially, the concept calls for the leasing of workers employed by an employee leasing firm to client companies. These leased employees then produce goods and services for the client companies just as regular employees would, working under the client firm's roof and day-to-day direction. Under this arrangement, however, the leasing firm is the employer. This means, in theory at least, that an employee is not dependent on one client company for her or his job. Using what the leasing industry calls portability, employees who lose their positions at one firm may be placed at another firm without losing accumulated vacation time and sick leave, benefits, or in some cases, even income.

A long-simmering issue for the leasing industry has been the question of who actually employs the leased employee in the eyes of the law: the leasing company or the company making use of the employee? The answer is vital to such matters as establishing liability in tax, employment discrimination, and union labor law.

Retention or accumulation of income and other benefits depends on the availability of open positions at other client firms. Moreover, portability is made available only to those employees who lose their jobs for reasons other than what the leasing firm judges to be unsatisfactory job performance. The largest leasing firms envision themselves as labor market intermediaries that can reduce frictional unemployment by rapidly matching employees with available jobs by computer.

Reducing frictional unemployment through employee leasing would require massive penetration of the labor force, something the leasing industry, with fewer than 200,000 employees, has yet to do. Some of its entrepreneurs predict astronomical increases in employment, ranging from 30 to 80 million by 1996. Most observers, both inside and outside the industry, offer much more conservative estimates, and one expert believes the entire industry is in danger of being absorbed by the much larger temporary help service industry in the wake of recent tax law changes.

Leasing firm officials insist that their business is readily distinguishable from temporary employment. Under the prototypical employee leasing format, small client firms enter a leasing arrangement by firing their entire staff, making corporate officers the only employees of the firm. The former staff is then hired by an employee leasing firm, which then leases the staff back to the client firm.

The leasing firm assumes responsibility for hiring and firing employees, payroll, benefits, and government-required paperwork, and charges the client firm a fee covering these expenses, administration, and profit. Until the 1986 Tax Reform Act, client firm officers, having become the only employees of the firm, were able to establish lucrative "nondiscriminatory" benefit programs available to all remaining "employees."

The leased employees, meanwhile, are employed by the leasing firm, a relatively large employer able to offer benefits not usually available to employees of smaller firms.

Employee leasing entrepreneurs date the popularization of this concept to 1972, when Marvin Selter, a southern California financial consultant, devised just such an arrangement for a group of medical doctors. (There are reports of employee leasing arrangements dating back to the 1940's.) Since 1972, medical offices have proven to be major clients of the employee leasing industry.

Today estimates of the number of people employeed by leasing firms in the United States range from 50,000 to 200,000. However, the exact dimensions of the employee leasing phenomenon are difficult to assess, in part, because leasing means different things to different people. For example, the employee leasing concept popularized by Selter in the early 1970's coexists with skill-specific and industry-specific contract labor services, such as security guard, nursing registry, and contract trucking firms. This type of specialized employee leasing has existed for many decades. In one sense, every personnel supply business--including temporary help services--is engaged in employee leasing.

Advocates of general employee leasing argue that their services differ fundamentally from contract labor and temporary employment, because their employees are placed in "permanent" jobs and because they receive many benefits.

Much of the general employee leasing industry was built upon "safe-harbor leasing," a term referring to the unusual financial windfall--a "safe harbor" from normal pension obligations--available until recently to employers who leased employees. At first this pension arrangement was based solely on legal claim that the leased employees were not employees of the client firm, even though they worked solely for the client firm. The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) explicitly provided that client firms did not need to extend their pension plan to leased employees as long as the leasing firm provided employees with a money purchase pension plan, with leasing firm contributions of not less than 7.5 percent of employee compensation. The leasing industry expanded rapidly after TEFRA's enactment.

Under the tax reform package of 1986, however, the "safe harbor" may not be used if more than 20 percent of the individuals performing services for a client are leased. If more employees are leased, they must be covered by the client firm's pension plan. Representatives of some leasing firms view the impact of this change as virtually eliminating the safe-harbor leasing industry and thus the "positive social aspects"--the improved benefits and employment opportunities that leasing firms insist they provide to employees.

The author of a Small Business Administration (SBA) study, Leslie Young, said her preliminary research, based on case studies of 14 leasing companies and 37 client firms, found a "definite" improvement in employee benefit levels due to leasing. Many of the client firms were medical offices. Prior to being leased, Young found, very few employees received more than the statutorily required benefits--unemployment compensation, social security coverage, and the like. After becoming leased workers, all the employees received paid vacations, paid sick leave, and paid holidays. All but one of the leasing firms provided what Young termed a good health insurance plan. Additionally, all employees received the full pension plan coverage required by TEFRA.

Critics, however, regard safe-harbor leasing as a device allowing doctors and others to reap huge financial gains without sharing those gains with the employees who helped produce them.

There is some debate as to whether tax reform spells the end of safe-harbor leasing. According to several observers, even if this type leasing were eliminated, the entire leasing industry will not be in jeopardy. The tax change will have no effect whatsoever on leasing firms that do not deal with safe-harbor arrangements. Additionally, the legislation does not seem to pose problems for firms that lease less than 20 percent of their staffs. Moreover, leasing firm executives say they welcome the opportunity for leasing to rise or fall on its business merits, rather than the appeal of a tax break.

It is not known how many employers will become interested in leasing if they cannot take advantage of the safe-harbor provisions, or what the character of new leasing businesses may be. Some leasing firms report little impact; others have quit the business.

Economist Leslie Young said her SBA study indicates that non-safe-harbor leasing is already growing, but she speculated that the new leasing arrangements will not be as advantageous to employees. Without the pension break, Young suggested, leasing firms will be hard pressed to get businesses to pay for leasing arrangements that provide the costly pension plans, health benefits, vacations, and personnel management services offered in safe-harbor deals. Young also observed that the leasing industry may have to overcome any impressions that the tax reform of 1986 made employee leasing, in general, illegal.

Some leasing industry leaders are looking toward a stripped-down version of leasing in which the leasing firm will be cheaper and more affordable to employers but will offer few if any benefits to employees.

But Young observes that stripped-down leasing deals may be little more than payroll administration services, providing very little in terms of an employer-employee relationship.

In the view of one leasing consultant, there is a huge market for non-safe-harbor leasing by companies that either:

- do not have a pension plan of any kind;
- do not mind covering their workers with a modest pension plan; or
- use employees who do not qualify for coverage under the company pension plan, such as on-call and temporary workers.

Firms will be drawn to employee leasing because of its personnel recruiting and management services, leasing officials maintain. A primary source of growth may be among service industry firms, such as hotels, that utilize large numbers of nonpermanent employees who are not covered by pension plans. Leasing firms will specialize, tailoring themselves to particular industries and offering trained, tested, and categorized workers for short-term assignments, according to some industry consultants.

Whether employee leasing firms can deliver what they promise is a matter of dispute. The potential problems, according to a variety of observers, include:

- failure to make good on pay and benefit promises to employees;
- client firm problems in directing workers employed by someone else;
- legal and tax problems for client firms due to failure of the leasing firms to become the true employer in the eyes of the law.

The leasing industry has experienced several major business failures during the past few years. In a 1985 speech to the National Staff Leasing Association, James Swartzwelder, then acting director of the IRS Planning Office, identified leasing firm failures as a major concern and noted that companies are going into business with relatively few assets and very quickly accumulating large pension benefit, employment, and withheld income tax liabilities, and then failing and leaving these liabilities unpaid. According to leasing industry officials, they are taking steps to rid the field of shaky operators. But with few capital expenses necessary to get into business, the potential for underfunded operators entering the field exists, and with it such problems as unpaid benefit premiums, unpaid taxes, and bounced paychecks.

Union officials are highly critical of employee leasing, regardless of whether employers are using the safe-harbor aspects. They see a philosophical problem because employees are not employees of the company they are working for. As for employee benefits provided through leasing, unionists maintain that labor unions soon will be providing those same benefits through associate membership arrangements, under which employees at nonunion worksites will be able to purchase benefits at reduced rates.

What the future of employee leasing is and what it means for employers and employees is difficult to say. One possibility is that leasing will continue to be a small industry; another is that it will disappear in the wake of tax reform and inroads made by temporary help services. Yet another is that the industry will grow,as some of its advocates predict, overcoming the impact of tax reform and the weaknesses that have plagued it--from the perspective of both employers and employees.

Section IV

SOME IMPLICATIONS AND CONSEQUENCES OF CONTINGENT WORK

SHIFTS IN LABOR MARKET STRUCTURE AND PATTERNS OF OCCUPATIONAL TRAINING

By

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Observers of the U.S. economy are undoubtedly struck by the accelerating transformation of the labor market. Some things do not change much; for example, the unemployment rate which seems stuck at around 7 percent. But other characteristics of the labor market are very different from the past. The new jobs that keep unemployment from growing worse are largely in the service sector. A portion of these are well-paying professional and technical jobs but many more are marginal. One result is the apparent widening of the income gap between high-paid and low-paid workers. What is less obvious is the decline in job security, a phenomenon that affects workers across the board. The ties between workers and particular employers seem far weaker now than they were 10 or 20 years ago.

Training patterns have clearly shifted during the last decade or two. As ties between workers and their employers have loosened, there has been a concomitant decline in on-the-job training. And as occupational mobility speeds up and training moves out of the workplace, contingent workers are increasing in number and variety.

The labor market in this decade is characterized by briefer job tenure, more spells of unemployment, and greater occupational mobility than at any time since the fifties. With these changes in relationships, more workers face the necessity of acquiring skills before being hired and bearing the costs of their own training. As technology and market conditions shift and student financial support diminishes, an investment in training becomes more and more an exercise in risk-taking.

Looking at the Japanese labor market helps explain the U.S. situation. American specialists recognize that not all Japanese workers are "permanent." In fact, roughly half the labor force consists of contingent workers employed by large firms together with a host of petty entrepreneurs and service workers who are well outside the industrial system. Nevertheless, in large-scale industry, male workers whose jobs have specialized content come to the firm directly from a school or university and expect to stay. Along with this expectation is exposure to a system of training that provides skills as needed over the lifetime of the career and the worker.

The U.S. labor market never had what might be called a Japanese level of worker permanence. In the formative years of the 19th century, America came to epitomize the laissez-faire climate so prized in classical economic theory. Looking at the world from a tradition of village ties and tenant obligations, the most desirable situation was freedom to move, to change residence and job as often as might seem necessary.

Trends in Modes of Training

Apprenticeship, a centuries-old method of on-the-job training under the eye of a master, was widespread in the skilled trades associated with construction, printing, shoemaking, and tailoring. By the turn of the 19th century, however, employers who were increasingly discontented with union restrictions rallied around a European innovation--the trade school --where workers could be prepared before entering the labor market, especially for the increasing number of semiskilled factory jobs. With the support of organizations like the National Association of Manufacturers, the Smith-Hughes Act of 1917 introduced Federal support for secondary school vocational education. Between the two wars, the effect was to weaken apprenticeship and to establish formal classroom training as a viable alternative.

In the thirties, with the growth of industrial unionism, a trend toward strong attachment and long tenure developed. In selected industries--steel, telephone, railroad transportation, and utilities--blue-collar workers entered the firm in unskilled positions and moved up the ladder of an internal labor market characterized by training at each step. Apprenticeship under union-management agreement remained a principal training modality in the construction trades, but in large-scale manufacturing, the training of craft workers was undertaken by companies in much shorter and more focused courses.

All of these employer-provided types of training have lost ground in recent years as employment has become less secure and job tenure has become briefer. Most occupational training now occurs in post-secondary institutions. Secondary schools continue to offer vocational courses, but their curricula have become less relevant as preparation for employment for a number of reasons: the rising age of entry into the full-time workforce, the rapid pace of technological change, and the decline of business support.

The move to increasing years of education and the transfer of skill training to the classroom came earliest in the professions like medicine, law, and, more recently, nursing. In the last decade, preparation for craft jobs has been transferred from the shop of an employer to the shop of a technical school, with the machinist being transformed into a machine technologist and the electrician into an electronics technician.

The Concept of Training in Economic Theory

How do employers decide whether to train workers, and what is the logic of who bears the costs? There is a distinction made between general and specific training received on the job. General training increases not

only the marginal productivity of a firm's own workers but of workers in other firms as well. Employees pay for general on-the-job training by receiving wages below what they could receive elsewhere. In contrast, firms in competitive labor markets do pay the cost of specific training, which is defined as training that increases the productivity of workers in a given firm but has no effect that would be useful in other firms.

It is no accident that in the 3 years since deregulation, telephone companies have severely cut their training budgets as they have tried to obviate the problem of having trained workers bid away by competitors. Changes in technology have aided the process. The technical heart of telecommunications, switching equipment, has become computerized--the switches themselves are computers--and maintaining them requires two levels of technical skill. At the upper level the work is similar to other highly skilled computer repair. At the lower level a short training course suffices to prepare workers to perform the necessary tests and then to replace the faulty components with plug-in elements.

Communications companies have not given up training entirely, nor have they solved the problem of getting and keeping exactly the kind of people they think they need. But in other industries where training has always been weaker, changes in what is produced and in how it is produced have also led to declines in opportunity to learn on the job.

The less structured the market, the more likely workers are to be considered replaceable units with standardized skills learned in schools and training programs. What is interesting is that women's jobs at all levels have always been mainly of this type. For every "indispensable" secretary there were hundreds of hands, whether at the sewing machine, the typewriter, the bank window, or the checkout counter. Before computers, insurance companies employed large cadres of female clerks and handled the problem of potential decline in their enthusiasm (and productivity) by relying on attrition and pregnancy to foster turnover. Computerization brought a new dimension to the replaceable female worker--a terminal at home that could coexist with pregnancy and obviate attrition.

How Skills Are Acquired

The conventional wisdom about careers is that entry workers have to face a life of shifting around, not only from one employer to another but also from one occupation to another. In this view the worker is an asset whose embodied capital can be put to successive uses in far more flexible ways than most machines. The quality of what is produced is no more an issue here than the stress on the worker. Skill training is barely considered.

As the higher ranks of the occupational structure become burdened by technocratic specialists--benefits administrators, budget examiners, tax accountants, and telecommunications managers--the lower ranks are increasingly expected to do what has to be done, whether they have the appropriate training or not and whether their tenure with the firm is 10 years, or 1 day as a temporary, or intermittently as an independent contractor.

The question of how people learn what they need to know deserves more study than it has received in recent years. Without data, we do not know the relative frequencies, but we can observe the various ways in which skills are acquired.

- The major site for acquiring most skills is the classroom. In professional specialties, post-secondary training may go on, not only through professional school but afterwards in a prescribed manner on the job. At lower levels, mastery of the typewriter keyboard in high school or in a special course provides the underpinning for clerical jobs that can be learned with brief additional training or simply through experience. In between, schools provide preparation for a number of discretely identifiable jobs like cosmetologist and licensed practical nurse. But they also are increasingly preparing communications technicians, building superintendents, and others who formerly were trained entirely on the job.

- Fewer and fewer craft workers complete training through the apprenticeship system. In the homebuilding and renovation part of the construction industry, they may learn their skills through lengthy and unstructured work experience. In the manufacturing sector, brief training is usually available from vendors of new machines, with workers acquiring skills through experience thereafter.

- Immigrants who arrive with developed skills are now a major source of skilled workers. The most recent newcomers can often find a training opportunity through the network of compatriots that they encounter on arrival.

- Some skilled workers begin their careers as hobbyists. They move into full-time activity in preference to or as a response to lack of other opportunities. There has been a noticeable increase in the availability of people to repair and restore antiques, pianos, woodwork, and glass. Cooking and canning skills have been turned into small business enterprises. In all these activities, taking courses may help to sharpen skills.

- For the great number of jobs that have low skill requirements, adequate performance depends more on appropriate supervision than on formal training.

UNION RESPONSES TO CONTINGENT WORK: ARE WIN-WIN OUTCOMES POSSIBLE?

By

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Dramatic changes in the structure of U.S. employment in the last decade have confronted the trade union movement with its most urgent organizing and legislative challenges since the Great Depression. Broad shifts from manufacturing to service sector employment, continued high unemployment well into the period of economic recovery and expansion, stagnant growth in real hourly wages, and changes in technology which alter the functioning of internal labor markets are among the dimensions of these structural changes which unions must address.

Union sensitivity to the work scheduling needs of both workers and firms has increased. The trade union movement is currently developing negotiating principles intended to meet these legitimate needs for flexibility while protecting workers against the unwarranted extension of contingent work and the unconscionable assault on wages, benefits, and employment security in the pursuit of short-run profits.

Following the 1980 downturn and the deep recession of 1982, firms have sought to limit the growth of permanent, full-time employment. The result has been an unprecedented increase in the number of contingent workers, estimated by the Conference Board at 28 million, or one-fourth of all workers. (Figure includes all part-time and temporary workers as well as self-employed individuals and persons working for firms supplying computer and guard services to businesses.) This change in the hours and terms of employment of so large a proportion of U.S. workers has forced the trade union movement to rethink previously held attitudes toward part-time and temporary employment.

Unions have only recently begun to develop creative approaches to protect the legal rights, employment security, and living standards of contingent workers. They are addressing the complex issues involved in protecting the jobs and benefits of full-time workers from unwarranted displacement by part-time and other contingent workers, while at the same time organizing and winning contractual protections for part-time workers.

Macroeconomic Slack and the Expansion of Part-Time Work

The various forms of contingent work arise as a result of somewhat different economic phenomena and should probably be treated separately both in economic analyses and in union negotiations. The growth of part-time employment is of particular concern to trade unions because part-timers comprise the largest number of contingent workers and because part-time employment is growing more rapidly than full-time employment.

In formulating a general approach to the rapid growth of low wage, part-time jobs and to the erosion of part-time hours, unions have explicitly recognized that these employment changes have occurred largely as a result of prolonged macroeconomic slack. Much of the recent growth in part-time employment has been in industries that traditionally employ part-time workers--retail trade in which part-time workers are more than one-third of the workforce, and services such as nursing home, janitorial, and personal services, where they are more than one-fifth.

Expansion of employment in these industries is predicated on the payment of low wages and provision of few or no fringe benefits. Half the minimum wage jobs in the economy are in service activities, with food services and janitorial services having the highest concentrations of low-paying jobs. Another 20 percent of minimum wage jobs are in retail sales. Pay in retail trade, where two-thirds of hourly employees earn less than $5 an hour, has historically been below average, and the disparity has widened since 1973.

Employment in traditional trade and service activities plays an essentially passive macroeconomic role--expanding along with the supply of workers available to take dead-end jobs at low wages and short hours. With unemployment just under 6 percent after 5 years of steady economic expansion, and with less than a third of the unemployed receiving unemployment compensation, even these jobs look attractive in comparison with the alternatives. The number of people who usually work part time has increased by 2.5 million since 1979, but only 600,000 of these workers voluntarily sought part-time employment. The rest, though they usually work part time, do so because they cannot find full-time jobs.

Contingent Work and Flexibility

One of the myths surrounding the expansion of contingent work is that it is a response to the need for increased flexibility on the part of both management and workers. Workers want to choose their own hours and days of work, and women in particular desire more flexibility in scheduling work in order to coordinate family and professional responsibilities. Firms, in order to be efficient and to compete in world markets, require greater flexibility in allocating their labor resources and have organized on a ring and core basis, with permanent, full-time employees in the core and contingent workers in the ring providing a buffer against the vissicitudes of the competitive marketplace.

Despite the increase in the number of women workers, and the even more dramatic increase in the proportion of mothers of young children in the labor force, there is little evidence to support the view that the increase in contingent work can be explained by the preference of workers. On the contrary, the facts on part-time work show that while the proportion of workers usually employed part time has been increasing, voluntary part-time employment peaked in 1979 and has edged down since then for women as well as for men.

The kinds of flexible work arrangements that parents, particularly mothers, desire would allow time off from work to care for young children and the modification of work hours and vacation schedules to accommodate family pressures without sacrificing hourly wages, fringe and retirement benefits, access to training, and opportunities for advancement. This kind of flexibility is generally not available, and contingent work--especially temporary work, at-home work, and self-employment--as it is usually structured provides a poor alternative, though sometimes it is the only one.

While some workers have always opted for these kinds of jobs because of their need for flexible schedules, there is no evidence that increases in these forms of contingent work can be explained by changes in worker preferences or increased labor force participation by women. Moreover, the number of women currently employed in these three contingent work arrangements accounts for less than 4 percent of the female labor force.

The increase in contingent work during the 1980's has occurred largely at the discretion of management. There is no measurable evidence that efficiency has been enhanced in this decade or that the competitive position of U.S. firms improved as a result. On the contrary, slow productivity growth and deteriorating competitiveness have characterized the U.S. business sector.

It is desirable for firms to achieve flexibility, improve competitiveness, and reduce labor costs by combining a well-trained, permanent workforce with flexible technology and management innovations to achieve cumulative productivity gains over the long run. The alternative, to realize an instantaneous reduction in labor costs by routinizing work and employing part-time, temporary, and other contingent workers at lower wages and benefits, while yielding initial savings on compensation, fringes, training, and other labor costs, sacrifices higher long-term productivity gains to the goal of maximum short-run profits.

Unions are engaged in protecting workers from the assault on current living standards and future retirement benefits implicit in managerial strategies to cut labor costs, including those that involve the use of contingent workers. At the same time, legitimate needs by both workers and firms for part-time and other forms of contingent work have come to be recognized. Firms in retail trade and service industries face peak load scheduling problems, and about 80 percent of voluntary part-time workers are employed in these industries.

Union Attitudes Toward Part-Time Work

Until recently most traditional unions have explicitly or tacitly opposed creation of part-time jobs or they have done little to extend union contract protections to part-timers, who have often been outside the bargaining unit. However, unions which have high proportions of women members and unions which are based in public or private service sector industries have pioneered in developing job-sharing programs, providing equitable and permanent part-time positions, organizing part-time and long-term temporary employees, and arranging for the transition of temporary positions into permanent ones.

With some justification, unions have viewed the extension of part-time work as a management strategy for replacing full-time jobs, intensifying work, reducing wages, denying fringe benefits, and excluding workers from promotion and access to higher qualifications within the company. Past practice on the part of most unions has been to oppose the introduction of part-time or contingent work where possible, and often to leave part-time and other contingent workers outside the bargaining unit. This kind of arrangement can be used by aggressive management as a loophole through which more contingent workers can be hired and union strength diluted.

The attitude of trade unions is changing. Unions have increased their organizing efforts in the service sector where a substantial minority of employees work part time, many of them voluntarily, and where the number of part-time and other contingent workers continues to increase. Unions continue to oppose the marginalization of workers in general, and the growth of involuntary part-time employment in particular. But they have begun to see their role as assuring that part-time workers earn wages and benefits comparable to those of full-time workers and have access to grievance procedures and other job protections and due process mechanisms.

In addition, unions are becoming increasingly sensitive to the needs of workers who choose part-time work voluntarily--especially women with child care responsibilities. This sensitivity takes several forms. Unions are taking the lead in recognizing that the ability of workers to meet parenting responsibilities is a legitimate workplace issue. They also want to make sure that the expressed desire for part-time work is a preference for short hours and not a reflection of the failure of social policy to provide affordable, quality day care. For those workers who continue to choose part-time or other contingent work schedules or who take such work because a slack economy means a dearth of permanent, full-time jobs, unions have begun developing a set of negotiating principles.

General Principles: Are Win-Win Contracts Possible?

Contract provisions that achieve parity with full-time employees for contingent workers will not satisfy the income or employment security needs of workers who want permanent, full-time work. But a concensus appears to be emerging that such provisions would go far to improve conditions for contingent workers and would meet the requirements of voluntary part-time workers. In addition, such provisions would limit the extension of part-

time work by firms to jobs where short hours are dictated by the requirements of the work to be done and not by the firm's desire to realize savings in labor costs by replacing permanent, full-time workers with poorly paid contingent workers subject to economic discrimination.

While policy statements make clear the trade union principles and concerns regarding contingent work, union locals confronting particularly difficult situations have shown a willingness to bargain realistically and creatively over new forms of working arrangements. Opposition in principle to particular contingent work arrangements does not mean a refusal of union locals to compromise; and a collective bargaining agreement covering particular forms of contingent work does not necessarily signify an endorsement in principle of the work arrangement by the union.

Unions have bargained a number of innovative job-sharing programs, often born of necessity, such as a layoff crisis. One such program saved money for an airline during a period of distress and allowed more of the newer attendants to retain their jobs. Thus the union workforce was kept more intact than would have been possible otherwise.

Testing, needs assessment, and careful evaluation contribute to the successful design of alternate work agreements. One principle, which seems key to successful alternate work agreements, is the importance of the careful testing of a pilot program, evaluated by both union and management at specified intervals of time. When ground rules which address worker and union concerns have been set forth in contracts, a number of programs developed jointly by management and unions have worked successfully.

Unionization Among Part-Time and Other Contingent Workers

The level of unionization among part-time workers is extremely low--at approximately 7.3 percent (1.27 million workers) in 1985--and the level of unionization among temporary workers and contract employees is virtually nonexistent. Another quarter million part-timers were represented by unions in 1985. Union coverage of part-timers (regardless of membership) was 8.8 percent. Part-time workers are organized at less than half the rate of unionization of full-time workers (20.4 percent in 1985, with 23.1 percent represented). Among union members, about 1 in 14 works part time.

There have been several instances of unions organizing part-time and temporary employees. In addition, new unions such as the National Writers Union and the Graphic Artists Guild have formed to organize individual contract employees. The arts, entertainment, and media unions have experience representing performing artists, musicians, stage hands, technical personnel, contract reporters, and freelancers whose work patterns may be close to those of some forms of contingent workers.

Contexts for Negotiating Contracts

It is important to consider the contexts in which union locals have bargained over contingent work arrangements (and where they have bargained for restrictions of contingent workers). The contexts vary and affect

union attitudes, the extent to which parity with full-time workers can be achieved, and the extent to which contract language to address union concerns can be negotiated.

Three major types of contexts are:

- The framework of reducing the workweek and creating voluntary options for reducing worktime, including extended leave or part-time positions for working parents, or leave for educational purposes or pursuit of other interests;

- Legitimate crises involving the threat of layoffs, which require responses from both management and the workforce--for example, a budget crisis in the public sector or industrial restructuring;

- Threat of layoffs, contracting out, and two-tier wage systems where management is motivated by short-term cost cutting or is seeking to undermine the strength of the workforce, the strength of a union, or the viability of an organizing effort; where management is engaged in cost cutting in such a way that it threatens to undermine the job security and working conditions of the incumbent workforce.

The most frequent pattern in this category is that of simultaneous layoffs and use of contingent workers.

The development of policies to address the needs of working parents and efforts to achieve a shorter workweek or options for more leisure time through voluntary reduced time-income tradeoffs are the two contexts in which part-time and contingent work arrangements are seen in the most positive light. In such cases, they are usually short-term or temporary arrangements, with guarantees that the employee participating in them be able to return to full-time status at the end of the agreed-upon period.

Similarly, when the use of temporary or contingent workers is seen as essential to avoid strain or speedup for regular employees (by bringing the staffing level up to the necessary number), when such use is understood to be truly temporary and necessary, it does not appear to pose problems. Even in these circumstances, unions may prefer that extra hours of work be offered to incumbent employees first before an employer turns to an outside agency. This will depend on the patterns of working hours and wage levels within the workplace and industry.

Contingent Work and a Two-Tier Workforce

One union official of the AFL-CIO explains why unions say that contingent work creates a two-tier workforce:

- The first tier--"core" employees--will have employment security; extensive medical, dental, legal, and financial care plans; good retirement plans in addition to social security; and stable, predictable annual incomes.

- The second tier--"the ring"--will be the working poor and they will have fewer opportunities for occupational improvement within the firm; will have to improve their own skills at their own expense; will have fewer hours of work per year during their lives and, therefore, modest incomes; will have relatively little employment security; will receive modest retirement benefits, little more than what social security offers; and will have little if any medical or dental insurance.

Simultaneous Layoffs, Threats of Layoffs, and Use of Contingent Workers

Simultaneous layoffs or threat of layoffs and hiring of part-time workers, temporaries, and contract employees is the flip side of the "core and ring" solution for management in an era of economic uncertainty and technological flux. In a telephone industry contract negotiated in 1986, the company cannot contract out projects involving traditional telephone work if contracting out will involve layoffs of employees within the affected work group (a commuting area of approximately 35 miles radius) in which the work had traditionally been done. Furthermore, the company cannot lay off union members until they release contract technicians within the area.

In health care, there are an estimated 3,000 temporary help agencies. Forty percent of hospitals report using temporaries on a daily basis. The Service Employees International Union, which has the largest membership of health workers, sees extensive use of temporary personnel as especially problematic, contributing to fragmentation of care (particularly in longer term care facilities), lack of familiarity with complete sets of procedures, and lowering of morale among regular staff, with transience undermining the dedication essential to human and social services.

Contract Provisions

Major types of contract provisions include: union coverage of part-time and temporary employees; restrictions on the use of contingent workers; required reporting of information, right to receive notice, and union rights to evaluate the use of contingent workers; protections against displacement of full-time workers and/or priority for bidding for additional hours for incumbent employees; and protections of minimum hours, wages, benefits levels, and accumulation of seniority.

Two parallel trends are developing. Unions are not only winning rights, seniority, benefits, and improvements in working conditions for contingent workers but also are winning restrictions against expanded use of contingent workers by employers.

WOMEN'S LABOR FORCE ATTACHMENT:
RISE OF CONTINGENT WORK

By

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Women have entered the labor force in record numbers in the United States. Nearly two-thirds (65 percent) of all women between 18 and 64 years of age are now gainfully employed, representing 44 percent of the total labor force. All indications are that their percentage share of the labor force will continue to increase, reaching 46 percent by 1995.

The most dramatic change in workstyle for women is among mothers, who are more likely to be gainfully employed than not. This is a dramatic departure from the patterns of 25 years ago. In 1960 less than a third (30 percent) of all mothers were gainfully employed, but by 1986 almost two-thirds (62 percent) worked. The absolute numbers are as staggering as the percentages. While only 6.6 million mothers worked in 1960, 20 million worked in 1985.

Most women in the labor force are full-time, permanent workers, but women also account for a large portion of the part-timers and others who constitute the contingent workforce. Just as there are potential pitfalls in contingent work, there are also potential gains. The challenge that we must recognize and address is how to ensure that employment practices associated with contingent work enhance rather than impair women's earning power, both in the short and long terms.

The Women's Bureau estimates that the majority of women work because of economic need. Approximately two-thirds of working women are widowed, divorced, separated, have never been married, or have husbands whose annual incomes are less than $15,000 a year.

One of the net results of the changes in workforce participation is that women now spend more years working. A woman in the 1980's can expect to spend nearly 30 years of her life gainfully employed. Again, the pattern is quite different from that in 1960 when a woman could expect to spend 20.1 years in the workforce, compared with 41.1 years for a man. By 1970 a woman's worklife expectancy rose slightly to 22.3 years, while a man's dropped slightly to 37.8 years. By 1980, the most recent year for figures, a woman could expect to work nearly three-fourths the time a man could--29.4 years compared with 38.8 years, respectively. In other words, over the last 25 years, a woman's worklife expectancy has significantly increased while a man's has slightly decreased.

Women now work in virtually every occupation and at nearly every level of the occupational pyramid. Their representation in executive, managerial, and administrative positions, which have historically been the domain of men, has increased significantly. In 1975 women held slightly over one-fifth (22 percent) of these positions, but by 1985 they accounted for over one-third (36 percent) of the jobs. It is important to note that the percentage of women holding managerial positions (9 percent in 1985) is beginning to approximate the percentage of men (13 percent) in this category.

Despite these advances, the majority of women remain concentrated in female dominated professions, which tend to be lower paying and which offer limited opportunities for advancement. For example, 29 percent of all working women are in administrative support positions, which include clerical jobs.

The difference in women's occupational affiliations shows up in their earnings. Women who worked full time, year round in 1985 had median earnings of $15,600, while similarly employed men had median earnings of $24,200.

In addition to dramatic changes in women's labor force participation during the past quarter century, there is further evidence that several macrolevel changes in the economy may affect women's labor force attachment, that is, how they are employed and compensated for their work efforts.

Structural Changes in the Domestic Economy

In the United States, as elsewhere in the developed world, several forces are converging to affect the structure, design, and distribution of jobs.

The internationalization of the economy has forced Americans to recognize that competition from abroad is exerting as much influence on jobs as is competition from within the American economy. Employers are seeking ways to cut labor costs, maintain quality, and remain competitive in a world economy that frequently can compete more favorably than that of the United States.

Technology constitutes a second driving force affecting the design and distribution of jobs. Office work is increasingly being automated and estimates are that 15 million computer terminals will be in use by 1995. Although a recent National Science Foundation report found that technological change results in absolute gains in jobs in most occupations, it projected an absolute decline in the number of clerical jobs, as well as slow growth for managerial employment. Technology cannot be divorced from the first force, the internationalization of the economy, either. Advanced telecommunication equipment is making it possible to transport data entry work off-shore.

The third factor affecting the design and distribution of jobs, and perhaps the most profound, is the transformation of the economy from an industrial to a service economy. Service-related jobs in retail and business have grown at a much faster rate than industrial jobs over the last decade. These new service jobs increasingly require higher educational and skill levels. Moreover, service sector jobs have a time and space independence that industrial jobs do not. Not only can the jobs be moved to different regions of the country to save on labor costs or to provide amenable work environments but they can also be done off-site from a centralized office, contributing to the rise of white-collar home employment.

The combination of foreign competitition, technological change, and growth of the service sector is profoundly affecting the design, structure, and nature of jobs in the United States.

The Contingent Workforce

Most contemporary discussions of workers are based on the notion of a full-time salaried employee. Strategies and plans are premised on this notion. While most employees are full-time salaried workers, increasing numbers are hired on contingent bases--as part-time, temporary, or independent contracted workers.

Although data are limited, there is evidence that women constitute a significant share of these three types of contingent workers. Nearly three-quarters of all part-time jobs are held by women. Temporary agencies, particularly those that hire clerical workers, more often fill their jobs with women than with men. For some of these women, contingent work represents a work accommodation that serves their lifestyle and economic needs; for others the accommodation may not be in their best interests--particularly over the long run.

Part-Time Jobs. Part-time work is defined as work that involves fewer than 35 hours a week. In 1985 about 18.6 million Americans, nearly one-sixth of all workers, held part-time jobs. Wives living with their husbands constituted the majority of the part-time working women, representing nearly 60 percent.

Part-time workers typically are not given discretionary company benefits such as health insurance, paid sick leave, maternity leave, or vacation time; nor are they usually covered by pension plans. However, their employers must contribute to the worker's Federal benefit coverage, including their social security account, as well as to their unemployment and workers' compensation coverage.

Temporary Agencies. Temporary work accounts for 1 out of 13 new jobs. According to a report by the Washington-based Bureau of National Affairs (BNA), the number of people employed by temporary help firms grew by more than 400 percent from 184,000 in 1970 to 760,000 in 1986. Estimates are that the number will increase to over 1 million by 1995.

Until recently temporary work usually involved and was associated with clerical workers. A trend is emerging, however, in which such professional and technical workers as doctors, dentists, lawyers, and computer specialists are seeking and being hired on temporary bases. Since figures on temporary workers are inadequate, it is impossible to estimate the number and gender of temporaries working voluntarily.

Independent Contracting. Independent or subcontracting involves transferring work from an employer's organization to another firm or individual. Subcontracted work is particularly prevalent in production processes in real estate construction and in automobile and steel manufacturing. It often is a controversial practice because employers can contract work out as a way of avoiding unionizing their workers or having to deal with unions.

There appears to be increasing use of independent contractors: individuals hired on a freelance basis to do work that otherwise would be done in-house by employees. Both the Internal Revenue Service (IRS) and the Department of Labor's Fair Labor Standard's Act (FLSA) define these contractors as self-employed. The common law test for independent contracting status is the extent to which the worker has control over the nature or pacing of the work, as well as the opportunity for incurring profit or loss from her/his efforts. If the worker exercises minimal control and has no real opportunity to gain or lose, that worker would likely be an employee, eligible for all benefits given employees, rather than a self-employed independent contractor.

Self-employed independent contractors are paid by a contract which is negotiated on an hourly, piece-rate, or service rendered basis. They are given no discretionary health benefits by the company. They are entirely out of the mainstream of the company and, typically, are not eligible for skill upgrading or advancement opportunities. Since contractors are self-employed, the "employer" makes no contributions to the worker's social security, workers' compensation, or unemployment insurance.

What has become somewhat controversial is the extent to which employers may be fraudulently hiring workers as independent contractors as a ruse to avoid paying them either discretionary company benefits or contributing to their Federal benefits.

Employers' Advantages From Contingent Work

Employers cite several reasons for finding contingent work favorable. The first is cost containment. Employers pay only for the work done. Furthermore, they rarely ever pay any discretionary benefits, such as health insurance, paid leave, job retraining opportunities, or pensions.

The second reason is flexible staffing. Employers want to avoid the situation in which they found themselves during the recession of the early 1980's, when they had to lay off massive numbers of workers. They now want a workforce that has built-in flexibility: it can be contracted, expanded, or redeployed according to demand. The typical model for this flexible workstaff is one in which there is a stable, secure group of

full-time salaried employees at the core and part-time, temporary, and contracted workers constituting peripheral rings around the core. These outer rings can be altered according to the shifting needs of the company. Their flexibility can also provide a protective buffer to the salaried employees in the core.

A third reason driving employers' consideration of a contingent staff is the desire to attract a highly skilled workforce in which some workers want higher degrees of flexibility and autonomy than would be available to them on a salaried employee basis. This can be seen particularly among professional and technical independent contractors and temporary workers.

A fourth reason applies only to independent contracting. Some employers use this practice to avoid the unions. By contracting out work to either firms or individuals the hiring organization can avoid unionization.

Although these forces are fueling the growth of the contingent workforce from the perspective of some employers, other employers express concern that a contingent workforce will result in decreased loyalty to the employer and potentially to decreased productivity and quality of work. Contingent work may be profitable in some situations but costly in others.

Why Women Find Contingent Work Attractive

There are several factors that make contingent work appealing to some working women, particularly those with families.

First is the desire for a flexible work schedule. With over 60 percent of mothers working, there is a strong desire to find a way to accommodate the demands of both work and family. Full-time jobs often prove too demanding. Temporary agencies reflect women's desire for work that corresponds to family schedules. They report that they experience a drastic reduction in the number of available working women during the months of June through August, which corresponds to the summer school vacations, and an upswing in availability beginning in September, which parallels the beginning of the school year. Temporary work (and to a more limited extent part-time and contracted work) can prove more responsive to the demands of parenting than can the conventional, full-time 9 to 5 jobs.

The second factor is the desire for a supplemental income when a full income is not necessary. For the relatively small segment of women who do not work strictly out of economic need, contingent work can provide extra money without impinging upon their other responsibilities or activities. In accepting part-time work, however, women trade off money for flexibility. Part-time work pays disproportionately less per hour than does full-time work for exactly the same tasks. Part-time workers earn an average of $4.50 an hour compared with $7.80 an hour earned by full-timers. Some women, by choice, trade off the extra income for the flexibility of part-time work.

The third factor is that many women cannot find full-time jobs, so they accept these contingent arrangements as a way to simply survive. Evidence of this can be found in the rise of women holding two or more jobs. Over the last 15 years, the percentage of female dual jobholders has doubled from 2.2 percent in 1970 to 4.7 percent in 1985. The rate for men has stayed constant for the last 25 years, at approximately 6 percent. Of the women who hold two jobs, 40 percent hold multiple part-time jobs, while over half (57 percent) hold a part-time job in addition to a full-time one. If they are single, divorced, separated, or widowed, they take on multiple jobs for financial reasons. If they are married, they are more apt to do it out of choice--as a way to build a business, to save money, or to accommodate the demands of a family.

Regardless of whether women pursue contingent work out of choice or for compelling reasons, there are some potential problems that cannot be ignored.

Potential Problems Faced by Women Contingent Workers

The most obvious problem is the lack of fringe benefits. For married women who are covered by their husbands' plans, this may not be a problem in the short run, but for other women, particularly single heads of households, it can be serious. Perhaps the most troubling aspect of these contingent forms of work is the lack of pensions, an area in which women are already vulnerable.

The primary source of retirement income is employment. Women are far less likely than men to be covered by private pension plans--41 percent of women versus 51 percent of men in 1979--or by social security paid for their own work efforts. This situation will be exacerbated by employment practices such as those in contingent work, providing little pay toward either a private pension fund or the social security account of the woman worker.

The second potential problem lies in the lack of advancement opportunities for contingent workers. As currently designed, part-time workers are rarely considered for promotions with the same attitude that full-time workers are considered. There is no evidence that either temporary or contracted workers are considered at all since they are entirely out of the employee pool.

The third potential problem has to do with whether workers once hired on contingent bases will be able to get back into the core salaried employee pool. If, in effect, companies are actually restructuring jobs and converting them from employee lines to temporary, contracted, or part-time jobs, there may be fewer full-time jobs available at times in which the women would be ready to consider them. Obviously this is a speculative concern at this point, but one that must be addressed in order to avoid de facto segregation of the workforce in which women would increasingly find themselves on the periphery of corporations, with limited access back into the core.

The fourth potential problem could be the steady increase in the number of women dual jobholders. If women cannot find full-time work, they may be forced increasingly to take on two or more jobs. Since part-time work pays disproportionately less than full-time, then their earnings will be consistently cut by taking multiple part-time jobs. In this scenario, women could find themselves working more and earning less. As it is, with median earnings of $15,600, women would have to take one full-time and one half-time job just to equal the man's median earnings of $24,200.

Potential Gains for Women Contingent Workers

Part-time, temporary, and contracted work can provide women with opportunities to stay in the workforce during times in which they would not or could not work full time because of family responsibilities. Several national surveys reveal that most mothers prefer part-time over full-time work when their children are young.

Furthermore, contingent work allows women to maintain their skill levels and supplement their incomes when full-time work is neither necessary nor desirable. Contingent work embodies flexibility that is not found in most traditional forms of work.

The critical challenge that we must face is to ensure that the prices women pay for this flexibility are not too high.

Conclusions
ISSUES FOR RESEARCH, PUBLIC DEBATE, AND POLICY ACTION

CONCLUSIONS

ISSUES FOR RESEARCH, PUBLIC DEBATE, AND POLICY ACTION

Out of the conference discussion there evolved a series of issues calling for research, debate, and policy consideration. These issues identify areas for research by individuals and institutions; suggest issues for debate in hearings, at conferences, in the media, and through other forums; and advocate the need for effective policies at all levels of government as well as within corporate and union structures. Although categorized under separate headings, some of the issues may need to be addressed at all levels--research, public debate, and policy.

At the forefront of concerns articulated at the conference is the need to explore ways in which different forms of contingent work can be made equitable with full-time, permanent employment regarding:

- wage scales;
- pension coverage;
- medical benefits;
- health and safety protection on the job;
- job security;
- job ladders, training, and affirmative action;
- leave for vacations, illness, and other needs;
- employee representation in unions.

There is clearly a need for more data to guide further research, support public debate, and aid in the policymaking process. Comprehensive nationwide studies on contingent workers are needed; however, data to determine the size and characteristics of these workers are not available on a consistent basis. Further research is needed also to examine the factors--economic, demographic, and technological--driving the trend toward contingent work. In both research and policy it is important to distinguish consistently the varied types of contingent workers, including part-timers, temporaries hired by the temporary industry, temporaries hired directly by firms, independent contractors, and leased employees.

Relevant to the collection of data is the need for consistency in defining terms such as "independent contractor," and for consistency in the tools of analysis, for example, whether or not fringe benefits are included in wage measures. There is a need also to establish a "universally" acceptable definition of such alternative work arrangements as job sharing and work sharing. In addition, statistics should be collected in ways that permit longitudinal studies of historic trends of contingent workers.

Other data needs are identified in the research recommendations below.

Areas for Research

Research recommendations flowing out of the conference included the need to:

- Document, using establishment data, the incidence of various forms of contingent work by industry and by occupation, noting, where appropriate, occupational segregation and whether contingent work is more likely to be associated with expanding or declining industries.

- Recognize from the outset that there is no single type of working woman or contingent worker, and therefore disaggregate data on the demographics of contingent workers by gender, age, and family circumstances, paying particular attention to life cycle demands including child and elder care responsibilities, reentry problems, and need for post-retirement income.

- Document and analyze the contingent work experiences of minorities, retirees, youth, and immigrants.

- Collect work history data on individuals, tracing the role of contingent work
  - --as a vehicle for moving from unemployment into full-time, permanent employment;
  - --as a transition out of the labor force into full-time retirement;
  - --as a permanent workstyle for people moving laterally (voluntarily or unvoluntarily) from one contingent arrangement to another without making the transition to full-time employment.

- Disaggregate data on the voluntary versus involuntary nature of contingent work, especially temporary and contract work, paying particular attention to job availability by region and industry, and the education and training level of the job seeker vis-a-vis job availability.

- Document long-term costs and benefits to society at large of a growing contingent workforce including
  - --transfer-of-payment costs from private employee health plans to public welfare systems;
  - --increased reliance on social security in lieu of private pensions.

- Collect national data on independent contractors currently not counted by the Bureau of Labor Statistics or the Internal Revenue Service.

- Document the association between worker dislocation through plant closings or other conditions causing dislocation and the hiring of contingent workers.

- Determine which jobs, due to automation at the workplace, can be disaggregated and redesigned into smaller, discrete components, possibly creating greater opportunities for part-time employment.

- Document management experiences with supervising multiple work scheduling arrangements and work affiliations.

- Examine whether, and to what extent, the technological innovations in telecommunications and data processing have institutionalized competition between low-paid workers in Third World countries and U.S. employees.

Issues for Public Debate

Open debate should focus on a number of areas identified by the conference participants:

- The importance of job security for workers versus management's need for flexible staffing in a competitive world economy.

- The need for flexible staffing using contingent workers versus the impact of a highly flexible workforce on workers' loyalty to a firm and productivity on the job.

- National implications of a shrinking pool of young workers and a rapidly aging workforce.

- Economically viable employment options that consider the need for adequate and affordable child care and elder care services.

- Encouraging the development of part-time and temporary jobs in high paying occupations and professions which are not dead end.

- Showcasing those employers whose contingent work practices best meet the needs of management and worker.

- Changing attitudes about the "low-status" image of many contingent workers and gaining wider acceptance of policies to achieve their rights, opportunities, and protection.

- Encouraging the establishment of local or regional clearinghouses which can inform individuals engaged in contingent work of their existing rights and protections under Federal and State laws (for example, clarification of independent contractor status versus employee status).

Recommendations for Policy Action

The conference highlighted a range of issues which need to be addressed through policy action. Policies should consider:

- The need to protect workers with health and pension benefits, including prorated benefits and portable pensions versus responding to employers' interest in trimming escalating health and pension costs versus rethinking the traditional ties between jobs and health and pension coverage (for example, substituting in their place Federal or State insurance pools or a national health care policy).

- The extent to which contingent work for women provides a viable mechanism for flexibility in combining work and family responsibilities versus the extent to which contingent work institutionalizes a second-

class citizenship in corporations in which there are no job ladders, few training opportunities, low wages, and short- and long-term penalties regarding health and pension coverage.

- Differences between legitimate uses of contingent work (such as the need to meet peak demands or voluntary reduced time to meet a budget crisis) and uses designed to undermine workers' wages and living standards, job security, and retirement benefits.

- The need for labor-management cooperation in developing collective bargaining language and practices that meet worker and management needs for flexibility.

- Whether the safe-haven clause of the 1978 Tax Code is perceived as condoning the fraudulent use of independent contractors by allowing workers to be hired as contractors who, according to common law, should be employees with protection.

- Similarities as well as important differences among people performing contingent work, for example, some independent contractors are professional, well-paid males who voluntarily choose to work at home, while other contractors are mothers who perform low-paid clerical work at home because they have no alternative for child care.

- Transitions for temporary and part-time workers to permanent and full-time status, and procedures for the creation of full-time positions when contingent work indicates it is feasible to do so.

- Establishing a top-level advisory board to the Secretary of Labor to assess the new social contract and changing ties between employers and workers, particularly those engaged in contingent work.

Appendix
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APPENDIX

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